

1 ILLINOIS FINANCE AUTHORITY
2 SPECIAL MEETING OF THE AUDIT PLUS COMMITTEE
3 April 3, 2018 at 3:02 p.m.
4

5 REPORT OF PROCEEDINGS had at the Special
6 Meeting of the Audit Plus Committee on April 3, 2018,
7 at the hour of 3:00 p.m., pursuant to notice, at
8 160 North LaSalle Street, Suite S-1000, Chicago,
9 Illinois.

10 APPEARANCES:

11 MS. GILA BRONNER, Committee Chairwoman
MR. ROGER E. POOLE (via audio conference.)
12 MR. GEORGE OBERNAGEL (via audio conference.)
MS. BETH SMOOTS (via audio conference.)

13 ILLINOIS FINANCE AUTHORITY STAFF MEMBERS

14 MR. CHRISTOPHER B. MEISTER, Executive Director
15 MR. RYAN OECHSLER, IFA Associate General Counsel
MR. BRAD FLETCHER, IFA Assistant Vice President
16 MS. XIMENA GRANDA, Controller

17 ALSO PRESENT:

Mr. Neil Heller (via audio conference.)
18 Mr. Jack Rakers, Acting Chief Internal Auditor,
Department of Central Management Services
19 Ms. Dawn Meier
Mr. Mitch Flesch
20 Ms. Tiffany McCoy
Ms. Frankie Patterson
21
22
23
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1 CHAIRWOMAN BRONNER: Good afternoon. My name
2 is Gila Bronner and I am Chair of the Audit Plus
3 Committee. I would like to call the meeting to
4 order.

5 First, I would like to take a moment
6 of Chair's privilege to welcome a newly appointed
7 member of the IFA, Neil Heller. The Governor just
8 appointed him. So, welcome Neil. We are happy to
9 have you and I know that our colleagues here and the
10 staff of the IFA will do everything they can to get
11 you up to speed, and I look forward to meeting you.

12 MR. NEIL HELLER: Thank you. Thank you.

13 CHAIRWOMAN BRONNER: With that, will the
14 Assistant Secretary please call the roll.

15 OECHSLER: Certainly.

16 The time is 3:02 p.m.

17 Mr. Obernagel via audio conference?

18 OBERNAGEL: Yes. Yes.

19 OECHSLER: Mr. Poole via audio conference?

20 POOLE: Yes.

21 OECHSLER: Ms. Smoots via audio conference?

22 SMOOTS: Yes.

23 OECHSLER: And Chairwoman Bronner?

24 CHAIRWOMAN BRONNER: Yes.

1 OECHSLER: Ms. Committee Chairwoman, a quorum
2 of Committee members has been constituted.

3 CHAIRWOMAN BRONNER: Great. Thank you very
4 much.

5 I'd like now to turn to Agenda Item
6 No. 2, which is the Review and Adoption of the Audit,
7 Budget, Finance, Investment and Procurement
8 Committee. If you can remember the name, you're --
9 that's really good -- Committee Meeting Minutes from
10 July 12th, 2017.

11 Does anyone wish to make any
12 additions, edits, or corrections to the Minutes from
13 July 12th, 2017?

14 (No response.)

15 CHAIRWOMAN BRONNER: Hearing none, I would like
16 to request a motion to approve the Minutes.

17 Is there such a motion?

18 OBERNAGEL: Obernagel makes a motion.

19 CHAIRWOMAN BRONNER: So moved.

20 Is there a --

21 POOLE: Roger Poole seconds.

22 CHAIRWOMAN BRONNER: Okay. So we've got the --
23 Member Obernagel moved and Member Poole seconded.

24 All those in favor?

1 (Chorus of ayes.)

2 CHAIRWOMAN BRONNER: Opposed?

3 (No response.)

4 CHAIRWOMAN BRONNER: The ayes have it. All
5 right. That was easy.

6 Moving on to Agenda Item No. 3:

7 Review, Consideration and Acceptance of the Illinois
8 Finance Authority Financial Audit for the Year Ended
9 June 30, '17, performed by RSM US LLP as Special
10 Assistant Auditors for the Auditor General of the
11 State of Illinois.

12 Executive Director Meister and
13 Controller Granda will discuss the Authority's FY 2017
14 Financial Audit.

15 MEISTER: Thank you very much, Madam Chair.
16 I'm Chris Meister, I'm the Executive Director. And
17 again, with us, fortunately, we'll -- we have also
18 our internal auditors; they'll be introduced in a
19 moment. But I will turn this over to our Controller
20 Six Granda, and she will make the presentation for
21 the Committee.

22 GRANDA: Good afternoon, everyone. First, my
23 name is Ximena Granda. I'm the Controller for the
24 Authority. I also want to introduce, today, my

1 colleagues who work with me in the Finance
2 Department. We have Frankie Patterson, who handles
3 all of the cash receipts and the disbursements, and I
4 have Tiffany McCoy, who handles all of our Conduit
5 Bonds.

6 So with that, I want to kind of give
7 you the highlights for our Fiscal Year 2017 Financial
8 Audit. The fiscal year ended with a net income of
9 \$3.1 million for all funds. Our general operating
10 fund, which is our Major Fund, had a net income of
11 \$2.8 million, and the Nonmajor Fund had a net income
12 \$255,000.

13 The general operating fund net income
14 was attributed to closing fees of \$4 million;
15 interest and investment income of \$255,000; interest
16 on loans, \$716,000; a transfer income of \$600,000.
17 It was a Reserve Fund transferred from the Clinic of
18 Altgeld fund issued that was dated back in 1996.

19 All of the other revenues was
20 \$711,000. That gave us a total revenue of \$6.3
21 million, which we only had expenditures of only \$3.5
22 million, and that's why it gave us a net income of
23 \$2.8 million.

24 Similar -- the nonmajor funds had a --

1 the net income was attributed to interest on loans of
2 \$49,000, interest on investment income of \$242,000, a
3 transfer from the Fire Truck Loan Program of
4 \$452,000, and all other revenues totaled \$144,000 for
5 a total revenues \$887,000 with only expenditures of
6 \$632,000, which gave us the \$255,000 in net income in
7 the Nonmajor Funds.

8 Moving on, our total assets increased
9 by \$551 million. This was due to the proceeds from
10 the issuance of a new bond sale on behalf of the
11 Illinois Environmental Protection Agency.

12 For the newer members, back in 2008,
13 the Authority implemented a GASB Interpretation
14 No. -- No. 2, which is disclosure of conduit debt
15 obligation. What this requires -- this requires a
16 disclosure of outstanding bonds issued to benefit
17 other state funds and component units. The Illinois
18 Environmental Protection Agency, the Northern
19 Illinois University Foundation, and the Illinois
20 Medical District fall under this interpretation. So
21 we carry the assets and the liabilities of these
22 funds in our financial statements.

23 Similar, our total liabilities
24 increased by \$548 million. Again, this was due to

1 the new bond issue on behalf of the IEPA and a
2 decrease on a partial reduction of the Illinois
3 Medical District Bond Issue.

4 Is there any questions on the
5 financial data that I just presented?

6 (No response.)

7 CHAIRWOMAN BRONNER: Any questions from any
8 member on the phone?

9 (No response.)

10 CHAIRWOMAN BRONNER: Okay.

11 GRANDA: All right. Moving on, the
12 compliance --

13 CHAIRWOMAN BRONNER: Well, let's first take
14 the -- I would, though, like to request a motion to
15 recommend for approval the Authority's FY 16 and 17
16 Financial Audit by this committee to the full board
17 at the April meeting.

18 OECHSLER: So Chairwoman Bronner, could I just
19 say, it's 2017 only.

20 POOLE: So moved, Roger Poole.

21 CHAIRWOMAN BRONNER: We do have -- it's FY 17
22 with, I think, some comparative, yes.

23 GRANDA: I'm sorry. That was --

24 CHAIRWOMAN BRONNER: So we'll say --

1 OECHSLER: I apologize.

2 CHAIRWOMAN BRONNER: It is for June 30th, '17.

3 Okay. Sorry. I was on the Compliance one.

4 The Financial Audit by this Committee

5 to the full Board at the April --

6 GRANDA: Yes.

7 CHAIRWOMAN BRONNER: -- meeting.

8 Did I hear a motion? Is there such a

9 motion?

10 POOLE: Yes, Chairman -- Chairwoman. Roger

11 Poole. I made the motion to move. So --

12 CHAIRWOMAN BRONNER: Thank you. Member Poole

13 so moved.

14 And second?

15 SMOOTS: Beth will second.

16 CHAIRWOMAN BRONNER: Was Beth -- great. Thank

17 you. So Member Poole and Member Smoots. You're

18 ahead of me.

19 All right. All those in favor?

20 (Chorus of ayes.)

21 CHAIRWOMAN BRONNER: Opposed?

22 (No response.)

23 CHAIRWOMAN BRONNER: The ayes have it.

24 And now we move on to Item No. 4 --

1 I'm sorry -- which is Review and Consideration and
2 Acceptance of the Illinois Finance Authority
3 Compliance Examinations for the two years ended
4 June 30, 2017, performed by RSM US LLP as Special
5 Assistant Auditors for the Auditor General of the
6 State of Illinois. This is referred to as the
7 Authority's FY 2016 and 2017 Compliance Audit.

8 Executive Director Meister and
9 Controller Granda once again will discuss the FY 16
10 and '17 Compliance Audit and the status of the
11 Authority's response to such audit.

12 MEISTER: And thank you, Madam Chair.

13 Again, I will turn this over to Six
14 Granda with the comment, especially for Member
15 Heller, the Compliance Audit through the Auditor
16 General's Office is a more in-depth and detailed and
17 robust audit than one would find in a similarly --
18 similarly situated private business, nonprofit, or
19 even a local government.

20 And this is something that is really
21 focused quite intently on the black letter of the law
22 in the Illinois Compiled Statutes, in the Illinois
23 Administrative Rules, in something that is somewhat
24 obscurely named the SAMS Manual. I'll turn it over

1 to Six and our internal auditor Jack Rakers to
2 describe the SAMS Manual, or our chair who may have
3 helped write the SAMS Manual.

4 CHAIRWOMAN BRONNER: Earlier versions.

5 MEISTER: Yes.

6 And then the sort of usual segregation
7 of duties and functions that one would typically find
8 in an audit.

9 CHAIRWOMAN BRONNER: Yeah. And I think it's
10 important to note for compliance audits, especially
11 within the state of Illinois, that there's always
12 sort of an issue du jour each period that is
13 undertaken by the Office of the Auditor General. So
14 you oftentimes will find whether a focus is on travel
15 or other different kinds compliance with particular
16 guidelines that may have come out of the Controller's
17 Office or CMS on records and asset management.

18 And so each cycle you will see an
19 increase in certain types of findings based on where
20 that area of focus is. And this has been going on
21 for decades, and actually, in many respects is a good
22 thing because it cycles through to ensure that all
23 the different kinds of both, I would say the various
24 cycles of transactions and all of the different

1 compliance requirements at least get touched at a
2 level of more detail, and I'm sure Six will speak
3 about the areas that were concentrated on during this
4 audit.

5 GRANDA: Yeah. The Compliance examination for
6 FY 16 and 17 was released on March 13th, 2018. The
7 Compliance Report contained nine material -- nine
8 material findings, which I am going to go into a
9 little bit of detail for each of these different
10 findings.

11 The first finding, it was Failure to
12 Reconcile and Record Cash Received. This was a
13 Government Auditing Standard finding. This type of
14 finding has some gravity. It was also categorized as
15 a significant deficiency.

16 By definition, a significant
17 deficiency is a control deficiency. A deficiency in
18 internal control over financial reporting exists when
19 the design or operation of a control does not allow
20 management or employees, in the normal course of
21 performing their assigned functions, to prevent or
22 detect misstatements on a timely basis.

23 The dollar amount associated with this
24 finding was de minimis. The amount was roughly about

1 \$37,000.

2 Without going into full detail of this
3 finding, the facts are: the Authority confirmed the
4 loan payments with the paying agent early in --
5 early -- I'm sorry -- the paying agent early in the
6 morning on June 30 of 2017. When the external
7 auditors confirmed the balance with a paying agent,
8 there has been additional payments that came in after
9 the confirmation on June 30th of 2017. This is what
10 caused the finding.

11 The Authority has set up a tickler
12 system, conference calls with a paying agent to
13 review all of the cash receipts prior to year end.
14 The Authority will also review and reconcile the bank
15 statements prior to closing the fiscal year end, and
16 this should resolve this finding.

17 CHAIRWOMAN BRONNER: And one additional comment
18 relative to compliance audits and compliance
19 findings. Unlike a financial audit where there's a
20 materiality threshold, compliance is absolute. So
21 whether it's \$5 or \$5 million, you still receive a
22 finding with the underlying assumption that you
23 either had proper internal controls or you didn't
24 over that particular aspect of your operations.

1 So sometimes -- and we have nine this
2 year. I do want to point out, and this is on the
3 cover sheet of the Compliance Audit, there are three
4 categories of findings. While Category 2 is
5 considered a significant deficiency, Category 1
6 actually -- you know, there are three different
7 levels. This is the middle level of noncompliance.
8 So while it is not optimal, we at least did not fall
9 in the worst category.

10 And I think, as you will see --
11 hopefully you've all brought out within your -- in
12 the case for those that aren't here, I know you
13 received electronically the update on the status of
14 various finding, so it might be helpful to open that
15 up as Six goes through the rest of them so you can
16 actually see what the IFA has already done in terms
17 of addressing, from a percentage completed and
18 corrected action, each of these findings.

19 GRANDA: Yes. Thank you, Ms. Bronner.

20 And as I mentioned, this finding
21 should be completed by 7/1. It is on -- it's going
22 to be an ongoing basis, conversations with the paying
23 agent and reviewing all of those statements in order
24 to make sure that this finding does not repeat.

1 Moving on, I am going to skip Finding
2 No. 2, No. 3, No. 4, and in that immaterial finding,
3 Finding No. 1, I would -- I'm going to defer those to
4 a later discussion with our internal auditors.

5 So moving onto Finding No. 5 --

6 CHAIRWOMAN BRONNER: My favorite.

7 GRANDA: -- which is a Noncompliance with our
8 travel policies.

9 This finding, while is inexcusable,
10 represents not having a complete set of documents in
11 one place. None of the exceptions were for
12 overpayments for unauthorized reimbursements. Most
13 of the exceptions were due to incomplete
14 documentation.

15 The Authority has added additional
16 staff to review the process. The staff was recently
17 retrained on expense reimbursements and expense
18 reports, and the Authority has also reviewed the
19 Fiscal Year '18 Expense Reports to make sure all
20 required documentation is attached to the employee
21 expense reports.

22 So we hope that in Fiscal -- when the
23 external auditors, when they're doing their
24 compliance for Fiscal 18 and 19 --

1 CHAIRWOMAN BRONNER: It will be gone.

2 GRANDA: -- it, hopefully, will not repeat.

3 CHAIRWOMAN BRONNER: For those new to this
4 process, this has been one of the few that just for
5 some is easy to fix, but has not gone away for
6 several cycles. So it is one I have a particular
7 interest in seeing go away.

8 GRANDA: And we're working on that.

9 Okay. Moving on to Finding No. 7,
10 which is the Employee Performance Evaluation Not
11 Documented. The Authority recently hired a human
12 resources manager that is helping us with other items
13 with the Authority. But one of the items that the
14 human resources manager is going to be working with
15 us and Director Meister is creating a new evaluation
16 form and a new grading system for the employees, also
17 to provide an employee evaluation proposition.

18 MEISTER: Employee Value Proposition.

19 GRANDA: Value Proposition.

20 So we'll be working with a human
21 resources manager to get this done -- done and
22 completed, and hopefully, it will be completed by
23 July -- July 1st.

24 Moving on to Finding No. 8, which is

1 the Noncompliance with the IFA Act. And this finding
2 actually was in regards to our Fiscal Year Budget.

3 In previous years, the Authority had
4 presented the fiscal year budget in the July meeting.
5 We are going to be changing, and, you know, the way
6 we're presenting. Instead of presenting it in July,
7 we're going to be presenting it in the June meeting,
8 so that finding would not be repeated.

9 CHAIRWOMAN BRONNER: Okay.

10 GRANDA: Moving on to Finding No. 9, the Agency
11 Workforce Report not submitted timely, yes, this was
12 an oversight on the staff. We have implemented a
13 tickler system on various report so this issue will
14 not happen again.

15 CHAIRWOMAN BRONNER: Okay.

16 GRANDA: Okay. Moving on to the Immaterial
17 Findings. Even though these findings didn't make it
18 to the report, the Authority takes these very
19 serious. Immaterial Finding 2, which is Control over
20 Property and Equipment, the Authority is going to
21 reconcile all of the deletions, the Deletions Report
22 with physical inventory and the Annual Report before
23 submitting the Annual Report to the Department of
24 Central Management. So we hope that this will not be

1 a repeat finding in the next audit.

2 Moving on to Immaterial Finding 3,
3 which is the Noncompliance with the IFA Act. This
4 actually was already resolved. The Authority
5 appointed a secretary and a treasurer, so this
6 finding should not be repeated.

7 Moving on to Immaterial Finding 4,
8 which is Noncompliance with Ethics Act. The
9 Authority has actually added additional staff to
10 review the reports and the submission of such
11 reports. We also are trying to implement a tickler
12 system to make sure all employees and all Board
13 Members have completed their ethics training. As you
14 know, that's coming up, I think sometime in April.

15 Moving on to Immaterial Finding No. 5,
16 which is the TA-2 Report. Again, this was just an
17 oversight on the Staff, and we have implemented a
18 tickler system on the various reports to resolve all
19 these findings.

20 CHAIRWOMAN BRONNER: And can you tell us what
21 the TA-2 Report is?

22 GRANDA: So the TA-2 report is our report that
23 we actually have to provide for employees who do the
24 trav- -- who travel more than 50 percent of their

1 time.

2 CHAIRWOMAN BRONNER: Okay.

3 GRANDA: It actually is due on July 15 and
4 January 15, and I know we have submitted that a
5 couple of days late, but we have implemented the
6 tickler system, so we'll know when they're due.

7 MR. JACK RAKERS: Yeah. It was a couple days
8 late, if I remember correctly.

9 GRANDA: Yeah. Maybe two or three days --

10 CHAIRWOMAN BRONNER: Again, zero tolerance.

11 MR. JACK RAKERS: Yes.

12 GRANDA: Moving on to Immaterial Finding No. 6,
13 which is Vouchers Not Processed Properly. So in this
14 area, the Authority is going to be expanding the
15 number of staff that is reviewing the vouchers, just
16 to make sure it's being recorded correctly. And
17 that's one of the reasons why I have Tiffany and
18 Frankie here, is we're going to be sharing this
19 review process. So then we're hoping that this
20 finding will not be repeated.

21 Moving on to Immaterial Finding 7,
22 which is the Vacant -- Vacant Board Positions. You
23 know, the Authority works very closely with the
24 Office of the Governor when a vacant position occurs,

1 but the Authority really doesn't have any control
2 when the Office of the Governors provide a Board
3 Member, which we're very thankful now that we have
4 Mr. Heller. And including the new Board Member,
5 we're still going to be one Board Member short.

6 MEISTER: And on this, I would just like to,
7 again, note that the Governor's Office has been very
8 responsive and cooperative with us on this issue.
9 And it is worth noting that Authority Board service
10 is voluntary and submits the Board Member to a
11 variety of ethics regulations that sometimes prevent
12 Board Members -- that this voluntary service
13 sometimes prevents board members from fully pursuing
14 economic or professional opportunities. So that's --
15 we're noting that, and actually, you know, we've
16 discussed that with the Board Members; with the
17 Governor's Office; with the Auditor General's Office;
18 and with our internal auditors, who are here.

19 GRANDA: So one -- so we go to the next
20 subject, I'm going to go ahead and introduce Jack
21 Rakers, Dawn --

22 MS. DAWN MEIER: Meier.

23 GRANDA: -- Meier, and Mitch Flesch.

24 MR. MITCH FLESCH: Flesch.

1 similar things. It looked like they were doing some
2 improvements. They've been open to working with us
3 on making some improvements as we've made some
4 suggestions as well.

5 Finding No. 3 deals with Internal
6 Audit.

7 CHAIRWOMAN BRONNER: Here you are.

8 MR. JACK RAKERS: Yes, here I am.

9 And that's the thing. So we created
10 an audit plan that cover all the 11 FCIAA categories.
11 Chairman Bronner, you probably are familiar with 11
12 areas; I'm not as sure that everybody on the phone
13 is. So --

14 MEISTER: And -- and also, name what the FCIAA
15 acronym stands for.

16 MR. JACK RAKERS: Oh. Fiscal Control and
17 Internal Auditing Act.

18 MEISTER: Okay.

19 MR. JACK RAKERS: So there's basically the
20 statutory requirements that the comptroller
21 interpreted back in 1991, to meet the 11 categories.

22 So when we created our audit plan, we
23 encompassed those 11 categories. So it's basically
24 saying, Hey, if we hit all of the audits that we

1 have, we're covered under FCIAA and the SAMS Manual.

2 And then the other thing that they
3 issued a finding for was the GAAP Package Audit.
4 That's sunset, and you don't have to do that anymore.

5 The other thing is, too, is with the
6 Audit Report that you do. So annually, there's a
7 requirement to issue a report. This year, we
8 actually issued one just to be on the safe side. So
9 we actually did issue one; we just didn't have any
10 actual reports at that point because we had just
11 taken over, I think September 1st.

12 MEISTER: Uh-huh.

13 MR. JACK RAKERS: So it just kind of takes
14 some -- some time. But -- so we did issue that.

15 We actually issued a report -- or
16 we're issuing the report for Purchasing Contracting
17 and Leasing, we hope, in the next week. We have
18 another audit over revenues, receivables, receipts
19 that I think the draft is done. I think I have to
20 review it and Dawn has to review it, and then I think
21 we're good. And then we'll work on another audit.
22 We had tentatively planned about three audits this
23 cycle.

24 The one thing I would mention to you

1 guys, which is going to throw a little bit of a curve
2 ball for next year's audit plan, I want to make sure
3 you guys are aware of this on the front end, is that
4 the State Internal Audit Advisory Board in
5 conjunction with the Auditor General's Office has
6 said there's some flexibility on the 11 FCIAA
7 categories for the first time ever. Having said
8 that, I would like to stay as close to those 11 as
9 possible --

10 CHAIRWOMAN BRONNER: Sure.

11 MR. JACK RAKERS: -- just to be a little bit
12 cautious, so we say, the first time around.

13 So when we get to the Audit Plan this
14 year, we might have some specific bond audits that
15 will probably tie back to the areas, but I just
16 wanted you guys to be aware of it, so if you see it,
17 you're going, Well, wait a minute, you're missing a
18 couple categories here. There's some categories that
19 are probably lower risk just based on all the bond
20 transactions you guys do. Okay.

21 MEISTER: So thank you, Jack.

22 MR. JACK RAKERS: Yeah.

23 MEISTER: And just to put this in context a
24 little bit. So there was a time before Governor

1 Blagojevich took office that each agency had its own
2 internal auditors. And then there was a decision
3 made to consolidate all of those internal auditors
4 out of the agencies and put them under Governor --
5 Governor's Office of Management and Budget. When
6 Governor Blagojevich was impeached, the General
7 Assembly reacted strongly as did the prior Auditor
8 General, and they imposed a statutory mandate for
9 each agency to have an internal auditor.

10 And at that time, we got written up
11 because, again, we are self-funded, we are fairly
12 small. And it seemed, given the amount of quality
13 time that we already spend with the Auditor General's
14 Office, it seemed to be foolish to be expending
15 public funds on additional staff to do the same
16 thing, because at that point it's gotten shorter.
17 But I think that we virtually had the external
18 auditors living with us most of the year, basically
19 permanently.

20 So we solved that initially by a
21 procurement, which was a painful and time consuming
22 process --

23 CHAIRWOMAN BRONNER: And unsatisfied.

24 MEISTER: And deeply unsatisfying. And then we

1 needed to exit that relationship.

2 Before we had done that, we went to
3 Jack's predecessors at Central Management Services
4 under the last administration, and I appealed to them
5 to serve as our internal auditors and remove this
6 little problem from us. We were summarily rejected,
7 and then sub- --

8 CHAIRWOMAN BRONNER: Shagged away.

9 MEISTER: Yes. We were shooed away, shagged
10 away. But then -- and I'm sorry, Tim's predecessor.

11 MR. JACK RAKERS: Oh. Director Hoffman.

12 MEISTER: Yeah. So Former Director Hoffman,
13 who is doing extraordinary service in another part of
14 the state and not at Central Management Services, he
15 and I had a conversation and it made all the sense in
16 the world to him that, as he was rebuilding his
17 internal audit process, that we would be the
18 inaugural independent agency internal auditor led by
19 Jack.

20 Subsequently, we went to the Board,
21 passed a resolution, entered into an
22 intergovernmental agreement, and now we have Jack and
23 his two colleagues. But Jack, this has become a
24 template for other similar, smaller agencies.

1 MR. JACK RAKERS: Right. I think we're up to
2 six ag- -- six agencies, including you guys.

3 CHAIRWOMAN BRONNER: And if I may, first, I
4 want to say that it pleases me that CMS is providing
5 the internal audit support for several reasons, not
6 the least of which is, you know, the 11 categories of
7 FCIAA -- thank you -- that I drafted.

8 MR. JACK RAKERS: We heard that, but I never --
9 okay.

10 CHAIRWOMAN BRONNER: But more importantly, you
11 have an appreciation for the context of the business
12 and the work of the Illinois Finance Authority.
13 And -- which, I think, quite often, someone --
14 particularly someone serving as an internal auditor.
15 When you hire an outside internal auditor, there
16 isn't always that appreciation. So -- and from the
17 broader perspective around fiscal and administrative
18 internal control environments and all of the
19 compensating controls that are in place as a result
20 of both the financial and compliance audit process as
21 well as the other regulatory considerations and
22 environment.

23 And so I was delighted that we have
24 our own audit charter. I was pleased to be able to

1 be a signator. I think this is great. I'm hoping
2 that, as well, CMS in this role, as from an internal
3 audit perspective, can also -- maybe there's an
4 opportunity as was envisioned in FCIAA, to even do
5 some education --

6 MR. JACK RAKERS: Yes.

7 CHAIRWOMAN BRONNER: -- of your auditees, and
8 more broadly, across state government.

9 MR. JACK RAKERS: That's in the pipeline.

10 CHAIRWOMAN BRONNER: Good. So thank you very
11 much.

12 I think, you know, reading the initial
13 draft report, I think we're off to a good start. And
14 clearly, as you can see, we take findings and
15 corrective actions seriously. So credit to you too.

16 MR. JACK RAKERS: Thank you very much. I
17 really appreciate that.

18 CHAIRWOMAN BRONNER: Yeah.

19 MEISTER: And again, just one final note, CMS
20 is providing this service to the Authority free of
21 charge, and we have offered, and contemplate possibly
22 in the future, to reimbursing CMS or coming into a
23 compensation arrangement. But on this inaugural run,
24 we've explored it. We've rem- -- there are some

1 obstacles to that, but again, that offer remains
2 open.

3 MR. JACK RAKERS: Okay.

4 MEISTER: Because again, we -- we understand
5 that this service is important and it costs money,
6 and we're prepared to pay.

7 CHAIRWOMAN BRONNER: Great.

8 So with that --

9 MR. JACK RAKERS: Yes.

10 CHAIRWOMAN BRONNER: -- I would like to request
11 a motion to recommend for approval the Authority's
12 FY 16 and 17 Compliance Examination by this committee
13 to the full Board, at the April meeting.

14 Is there such a motion?

15 POOLE: Roger Poole makes a motion.

16 CHAIRWOMAN BRONNER: Member Poole --

17 OBERNAGEL: Obernagel seconds.

18 CHAIRWOMAN BRONNER: -- moves it and Obernagel
19 second.

20 All those in favor?

21 (Chorus of ayes.)

22 CHAIRWOMAN BRONNER: Opposed?

23 (No response.)

24 CHAIRWOMAN BRONNER: The ayes have it.

1 And now we move on...

2 MEISTER: Other Business.

3 CHAIRWOMAN BRONNER: So we'll -- we'll accept
4 all of that under that item. So we don't need to do
5 anything else relative to Item 5. We've considered
6 them together.

7 MR. JACK RAKERS: Okay.

8 CHAIRWOMAN BRONNER: Unless there's something
9 else you --

10 MEISTER: Yeah. I did want to have you
11 highlight -- you've got an internal audit going on.
12 And for the benefit of the members --

13 MR. JACK RAKERS: Yes?

14 MEISTER: -- this was actually my top priority
15 as Executive Director for the internal auditors to
16 look at, and it's frankly on cat- -- cash receipts
17 and expenditures. And the reason why I was so
18 concerned is because there've been any number of
19 smaller and larger organizations that have been
20 written up in the paper for various issues related to
21 this functional area.

22 Like so much in our relationship with
23 the Auditor General's Office, they had other
24 priorities, but I, again, want to complement Jack and

1 his team because as soon as they addressed the
2 Auditor General's priorities in the Bond Compliance,
3 which we've just heard, they did go on to the area.
4 And again, it's -- their work is not done, but on the
5 cash receipts and expenditures of funds, they have a
6 status report.

7 MR. JACK RAKERS: So I think we're about -- I
8 think Todd drafted the potential audit findings and
9 everything, but there's not, like, an actual finding;
10 it's actually a couple observations.

11 So while Todd is an internal
12 auditor/trainee, we actually hired him as an
13 accountant from one of the agencies. So he's
14 actually working the receivables and receipts area.
15 So he's actually very, very familiar with the
16 revenues, receipts, whole thing, process. He's
17 actually very good at doing those kinds of things,
18 and he actually told me you guys do a very, very good
19 job.

20 There's one suggestion that we kind of
21 had, and we talked to Six about it. It's one of
22 those forward-looking things that we kind of suspect
23 the OAG's going to be looking for. It's just we want
24 to make sure on reconciliations that we sign them and

1 date them. It's just because of some of the other
2 things that are going on --

3 CHAIRWOMAN BRONNER: Sure.

4 MR. JACK RAKERS: -- throughout the state. We
5 think the OAG's going to kind of focus on those this
6 time, next year. So -- and Six already said, Hey,
7 we'll take care of it; not a big deal. So --

8 GRANDA: For the record, just one
9 reconciliation.

10 MR. JACK RAKERS: Right. No. No. No.

11 GRANDA: For the -- we reconcile all of our
12 accounts. It's just -- and we print them out, and of
13 course, you know, sign off on them. It's just this
14 particular reconciliation, we didn't print them. I
15 mean, we did them; we just didn't print them.

16 CHAIRWOMAN BRONNER: Right.

17 MR. JACK RAKERS: And sign them. Yeah.

18 GRANDA: So that's what he's mentioning.

19 MR. JACK RAKERS: Yeah. And I think it's just
20 something that we suspect, they're going to be really
21 looking at that. Even our employee he was kind of
22 laughing about it. He's like, Oh, I can see them
23 asking about this.

24 Just some of the issues --

1 CHAIRWOMAN BRONNER: That's great.

2 MR. JACK RAKERS: -- that's other agencies are
3 facing. Okay.

4 CHAIRWOMAN BRONNER: Good.

5 All right. Let's move on to other
6 business.

7 Is there any other business to come
8 before the members?

9 (No response.)

10 CHAIRWOMAN BRONNER: All right. Hearing none,
11 is there any public comment for the Committee?

12 (No response.)

13 CHAIRWOMAN BRONNER: Hearing none, I would like
14 to request a motion to adjourn.

15 Is there such a motion?

16 POOLE: So moved.

17 CHAIRWOMAN BRONNER: Is that --

18 POOLE: Roger Poole.

19 CHAIRWOMAN BRONNER: Roger Poole, so moved.

20 Second?

21 OBERNAGEL: Obernagel seconds.

22 CHAIRWOMAN BRONNER: Obernagel second. Thank
23 you.

24 All those in favor?

1 (Chorus of ayes.)

2 CHAIRWOMAN BRONNER: Opposed.

3 (No response.)

4 CHAIRWOMAN BRONNER: The ayes have it. The
5 meeting is adjourned.

6 Thank you all for participating.

7 OECHSLER: The time is 3:38 p.m.

8 (Which were all the
9 proceedings had.)

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1 STATE OF ILLINOIS)

) SS:

2 COUNTY OF COOK)

3 Brad Benjamin, being first duly sworn on oath,
4 says that he is a Certified Shorthand Reporter, that
5 he reported in shorthand the proceedings given at the
6 taking of said hearing, and that the foregoing is a
7 true and correct transcript of his shorthand notes so
8 taken as aforesaid and contains all the proceedings
9 given at said Illinois Finance Authority Meeting.

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Certified Shorthand Reporter

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No. 084-004805

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