

**MINUTES OF THE May 8, 2012 MEETING OF THE AUDIT COMMITTEE OF THE
BOARD OF DIRECTORS OF THE ILLINOIS FINANCE AUTHORITY**

The Board of Directors (the “Board”) of the Illinois Finance Authority (the “IFA”), pursuant to notice duly given, held an Audit Committee meeting on May 8, 2012 at 8:30 a.m. in the IFA Chicago Office, Two Prudential Plaza, 180 North Stetson Avenue, Suite 2555, Chicago, Illinois 60601.

IFA Board Members Present:

1. Gila J. Bronner, Chairwoman
2. Edward H. Leonard, Sr.
3. Terrence M. O’Brien
4. Michael W. Goetz, Vice Chairman
5. Roger E. Poole
6. Mayor Barrett F. Pedersen

IFA Staff Present:

Christopher B. Meister, Executive Director
Ximena Granda, Acting Chief Fiscal Officer
Sohair Omar, Policy/Operations Analyst
Stacy Liang, Intern

IFA Internal Auditor Present:

Kavita Misra, Crowe Horwath LLP

I. Call to Order

Chairwoman Bronner called the meeting to order at 8:35 a.m. Director Meister asked for a roll call. There being five members present (Mr. Pedersen showed up after the roll call took place), a quorum was present.

II. Adoption of Minutes

Chairwoman Bronner made a motion to adopt the minutes of the Audit Committee meeting on November 8, 2011. Mr. O’Brien seconded the motion. The motion carried unanimously.

III. Discussion of the Office of the Auditor General Reports for the Year ended June 30, 2011

a. Financial Audit

Ms. Granda presented the financial audit for the year ended June 30, 2011.

b. Compliance Examination

Ms. Granda presented the compliance examination for the year ended June 30, 2011.

c. Information Systems Fieldwork Summary

Ms. Granda presented the information systems fieldwork summary for the period ended June 30, 2011.

IV. Audit Finding Corrective Action Plan

Ms. Granda stated that any material and immaterial compliance findings are listed on the Corrective Action Plan. Ms. Granda further stated that the IFA has 21 compliance findings: thirteen material compliance findings and eight immaterial compliance findings. Of the thirteen material compliance findings, two are federal compliance. Of the eight immaterial compliance findings, two are IT (information technology). There were no compliance findings from the financial audit.

The first two findings were both federal compliance. The first finding was regarding noncompliance with the program loan agreement. The second finding was regarding noncompliance with the Economic Adjustment Assistance Program. Director Meister mentioned that they are both legacy programs.

The third finding was regarding inadequate control over travel and marketing expenditures. Ms. Granda explained that once the new travel policy is completed and approved by Director Meister, IFA will make the necessary adjustment. Ms. Granda stated that for the last fiscal year, board members incurred an average of \$1200 per member for travel expenses. This fiscal year, the average has fallen to \$650 per member.

The fourth finding was regarding noncompliance with requirement contracting procedure. Director Meister explained that IFA is still working out a way to integrate Norma Sutton into system.

The fifth finding was regarding the delinquent reporting of bond activity. Ms. Granda stated that she does not believe IFA can avoid this specific finding.

The sixth finding was regarding the failure to monitor outstanding bonded indebtedness. Ms. Granda explained that this is an IT glitch and IFA is waiting for the IT consultant to go through the database and fix it.

The seventh finding was regarding noncompliance with the Illinois State Office and Employee Ethics Act. Ms. Omar stated that there is 100% compliance for this year's ethics training for all the staffs and board members. Director Meister further stated that all board members must complete the electronic FOIA training. Board members do not have to be in a designated location and this training can take place in an open meeting.

The eighth finding was regarding the noncompliance with the VC Investment Program. Ms. Granda stated that this is a repeat finding from prior year. Director Meister stated that IFA does not have the resource to maintain a list of all manufacturing firms that are for sale and has proposed legislation to mitigate this audit finding.

The ninth finding was regarding the inadequate implementation of the internal audit. Ms. Granda invited Ms. Misra to comment on this later.

The tenth finding was regarding the noncompliance to interagency agreement. Director Meister stated that he is working to get this resolved.

The eleventh finding was regarding noncompliance with laws and regulations. Ms. Granda stated that Director Meister will approve the new identity and personal information protection policy.

The twelfth finding was regarding failure to file reports in implementing ARRA Provision Regarding Recovery Zone bonds and Qualified Energy Conversation Bonds. Director Meister stated that IFA complied and continue to complied with the required monthly filing.

The thirteenth finding was regarding the vacancies in the membership of the IFA Board. Director Meister stated that IFA currently has three vacancies, but IFA does not have the power to appoint members.

For the immaterial compliance findings, the first finding was regarding noncompliance with the State's telephone usage policy. Ms. Granda stated that IFA provided the new telephone usage policy to all staff members.

The second and third finding was regarding computer security weaknesses and weaknesses regarding the security and control of confidential information. Ms. Granda stated that the IT manager provided proof that this specific former consultant's account had never been accessed. Further, the IT manager has put a policy in place that will ensure this problem will not reoccur.

The fourth finding was regarding weaknesses in the process in establishing accounting estimate and recording of interest revenue accrual. Ms. Granda stated that there is updated policy on bad debt and that IFA will review analysis, make decision, and apply the policy.

The fifth finding was regarding controls over completion of Agency Workforce Report. Ms. Granda stated that the report has been completed and documented.

The sixth finding was regarding untimely completion of performance evaluation. Ms. Granda stated that IFA is in the process of creating a timeline to ensure performance evaluation are completed in a timely manner.

The seventh finding was regarding inadequate controls over personal files and final termination pay. Ms. Granda stated that IFA is doing a second review of the pay calculation.

The eighth finding was regarding failure to include required information on printed materials.

Ms. Granda stated that of the twenty-one findings, three to four were repeat findings. Chairwoman Bronner added that of the twenty-one findings, seven have been fully addressed and seven have been mostly addressed. Chairwoman Bronner further stated that the findings were fixable to the extent that IFA has control.

V. Update on Internal Audit

Ms. Misra stated that the internal audit was initiated in November 2011. The internal audit consisted of five parts: IFA program analysis, operational analysis, financial, compliance, and information technology. Three parts have been completed with two more to be completed by the end of this fiscal year. Ms. Misra stated that the results from the findings are similar to the results reported by Ms. Granda. Chairwoman Bronner explained that IFA are required by statute to have an internal audit.

VI. Other Business

None.

VII. Public Comment

None.

VIII. Adjournment

A motion to adjourn was made by Mr. O'Brien and seconded by Chairwoman Bronner. The motion carried unanimously.

The Audit Committee meeting adjourned at 9:25 a.m.

Minutes submitted by:
Stacy Liang
Intern