



STATE OF ILLINOIS  
**OFFICE OF THE  
AUDITOR GENERAL**

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**ILLINOIS GRAIN INSURANCE CORPORATION**

**FINANCIAL AUDIT AND COMPLIANCE  
EXAMINATION**

**For the Two Years Ended: June 30, 2013**

**Release Date: February 20, 2014**

**Summary of Findings:**

**Total this audit: 4**

**Total last audit: 2**

**Repeated from last audit: 1**

**INTRODUCTION**

The Illinois Grain Insurance Corporation, a component unit of the State of Illinois, was created for the purpose of providing 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. Fiscal support to carry out the responsibilities of the Corporation is provided by the Department of Agriculture.

**SYNOPSIS**

- The Corporation has not established the \$2,000,000 Grain Insurance Reserve Fund as required by the Grain Code.
- Weaknesses were noted in the Corporation's administration of federal licensees' participation in the Illinois Grain Insurance Fund.

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

**ILLINOIS GRAIN INSURANCE CORPORATION**  
**FINANCIAL AUDIT AND COMPLIANCE EXAMINATION**  
**For the Two Years Ended June 30, 2013**

<b>REVENUES, EXPENSES AND CHANGES IN NET POSITION</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Operating Revenues:			
Charges for Services.....	\$ 110,000	\$ 146,000	\$ 223,000
Operating Expenses:			
Environmental and Business Regulation.....	174,000	14,000	13,000
Operating Income (Loss).....	(64,000)	132,000	210,000
Nonoperating Revenues:			
On Behalf Contributions.....	14,000	14,000	13,000
Recovery on Claims Paid.....	7,000	6,000	11,000
Interest and Investment Income.....	5,000	5,000	8,000
Total Nonoperating Revenues.....	26,000	25,000	32,000
Change in Net Position.....	(38,000)	157,000	242,000
Net Position, Beginning of the Year.....	7,171,000	7,014,000	6,772,000
Net Position, End of the Year.....	<u>\$ 7,133,000</u>	<u>\$ 7,171,000</u>	<u>\$ 7,014,000</u>
<b>STATEMENT OF NET POSITION</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Cash and Cash Equivalents.....	\$ 7,083,000	\$ 7,119,000	\$ 6,961,000
Other Receivables.....	-	2,000	4,000
Due from Primary Government.....	50,000	50,000	49,000
Total Assets.....	7,133,000	7,171,000	7,014,000
Net Position .....	<u>\$ 7,133,000</u>	<u>\$ 7,171,000</u>	<u>\$ 7,014,000</u>
<b>SCHEDULE OF GRAIN DEALERS AND WAREHOUSES (UNAUDITED)</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
Active dealers/warehouses - beginning of year.....	285	303	312
Add: New dealers/warehouses.....	4	4	7
Less: Closed or insolvent dealers/warehouses.....	(21)	(22)	(16)
Active dealers/warehouses - end of year.....	<u>268</u>	<u>285</u>	<u>303</u>

<b>CORPORATION PRESIDENT</b>
During Examination Period: Robert F. Flider
Currently: Robert F. Flider

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**GRAIN INSURANCE RESERVE FUND NOT FUNDED**

**Failure to fund \$2,000,000  
reserve required by law**

The Illinois Grain Insurance Corporation has not funded the \$2,000,000 Grain Insurance Reserve Fund required by the Grain Code.

As of the end of examination fieldwork, the Corporation had not established the \$2,000,000 Grain Insurance Reserve Fund.

**Appropriation request not made  
to General Assembly**

The Corporation's management indicated the Grain Insurance Reserve Fund was not funded because the funds were not appropriated. Management also indicated they did not request an appropriation in fiscal years 2012 and 2013 because of budgetary constraints on the General Revenue Fund. (Finding 1, page 10) **This finding has been repeated since 2005.**

We recommended the Corporation comply with the law by working with the Office of Management and Budget to obtain the necessary appropriation to fund the Grain Insurance Reserve Fund or seek legislative relief from the statutory requirement.

**Corporation officials agree with  
auditors**

Corporation officials agreed with our recommendation and stated they will address the non-funding of the Grain Insurance Reserve Fund at its annual Board meeting. Based on the recommendations of the Board, funding will again be sought from the Office of Management and Budget or legislative relief will be sought to alleviate the statutory requirement. *(For the previous Corporation response, see Digest Footnote #1.)*

**WEAKNESSES IN THE ADMINISTRATION OF  
FEDERAL LICENSEES' PARTICIPATION IN THE  
FUND**

The Illinois Grain Insurance Corporation had weaknesses in its administration of federal licensees' participation in the Illinois Grain Insurance Fund (Fund).

**100% of cooperative agreements  
do not include all provisions  
required by the Grain Code**

The Corporation omitted provisions required by 240 ILCS 40/30-10(c)(2) in its cooperative agreements with federally licensed warehouses. None of the Corporation's existing cooperative agreements contain these provisions. The Corporation's website listed a federal licensee as participating in the Fund before the licensee had signed a cooperative agreement with the Corporation.

The Corporation's management stated the omission was due to

oversight and a clerical error resulted in the website incorrectly indicating participation in the Fund. (Finding 3, pages 13-14)

We recommended the Corporation revise its cooperative agreements to include all of the requirements outlined in the Grain Code. We also recommended the Corporation ensure the status of federal licensees doing business in Illinois is displayed accurately on the Corporation's website.

**Corporation officials agree with auditors**

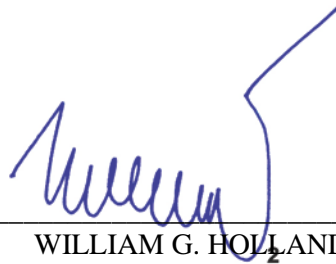
Corporation officials agreed with our recommendation and will revise the cooperation agreements to include all of the requirements outlined in the Grain Code. The Corporation will review the status of federal licensees doing business in Illinois for accuracy on a quarterly basis.

**OTHER FINDINGS**

The remaining findings pertain to untimely deposit of cash receipts and failure to include all fees in the Fee Imposition Report. We will follow up on these findings during our next examination of the Illinois Grain Insurance Corporation.

**AUDITORS' OPINION**

Our auditors state the June 30, 2013 and June 30, 2012 financial statements of the Illinois Grain Insurance Corporation are presented fairly in all material respects.



A handwritten signature in blue ink, appearing to read 'William G. Holland', is written over a horizontal line.

WILLIAM G. HOLLAND  
.. Auditor General

WGH:SKM

**SPECIAL ASSISTANT AUDITORS**

Sikich, LLP was our special assistant auditors for this audit and examination.

**Digest Footnotes**

**#1 GRAIN INSURANCE RESERVE FUND NOT FUNDED**

2011: "The Corporation agrees with the finding and will request the appropriation in future budget years."