

STATE OF ILLINOIS  
**ILLINOIS POWER AGENCY**  
COMPLIANCE EXAMINATION  
For the Year Ended June 30, 2018

STATE OF ILLINOIS  
**ILLINOIS POWER AGENCY**  
 COMPLIANCE EXAMINATION  
 For the Two Years Ended June 30, 2018

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STATE OF ILLINOIS  
**ILLINOIS POWER AGENCY**  
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STATE OF ILLINOIS  
**ILLINOIS POWER AGENCY**  
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For the Two Years Ended June 30, 2018

**AGENCY OFFICIALS**

Director

Mr. Anthony Star

*Administrative Services*

Chief Financial Officer (02/16/2018 – Present)

Ms. Gloria Gibson

Chief Financial Officer (11/28/2017 – 02/15/2018)

Vacant

Chief Financial Officer (07/01/2016 – 11/27/2017)

Mr. Charles L. Kudia

Chief Legal Counsel

Mr. Brian Granahan

Chief Operating Officer

Mr. Sanjay Patel

*Planning and Procurement Bureau*

Bureau Chief

Mr. Mario Bohorquez

The Agency's office is located at:

105 W. Madison Street, Suite 1401  
Chicago, Illinois 60602

STATE COMPLIANCE EXAMINATION  
MANAGEMENT ASSERTION LETTER

January 22, 2020

Honorable Frank J. Mautino  
Auditor General  
State of Illinois  
740 East Ash Street  
Springfield, Illinois 62703-3154

Auditor General Mautino:

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 State of Illinois, Illinois Power Agency. 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 State of Illinois, Illinois Power Agency's compliance with the following assertions during the two-year period ended June 30, 2018. Based on this evaluation, we assert that during the years ended June 30, 2017, and June 30, 2018, the State of Illinois, Illinois Power Agency has materially complied with the assertions below.

- A. The State of Illinois, Illinois Power Agency 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 State of Illinois, Illinois Power Agency 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 State of Illinois, Illinois Power Agency 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 State of Illinois, Illinois Power Agency 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 State of Illinois, Illinois Power Agency on behalf of the State or held in trust by the State of Illinois, Illinois Power Agency have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours very truly,

State of Illinois, Illinois Power Agency

**SIGNED ORIGINAL ON FILE**

Anthony Star, Director

**SIGNED ORIGINAL ON FILE**

Gloria Gibson, Chief Financial Officer

**SIGNED ORIGINAL ON FILE**

Brian Granahan, Chief Legal Counsel

STATE OF ILLINOIS  
**ILLINOIS POWER AGENCY**  
 COMPLIANCE EXAMINATION  
 For the Two Years Ended June 30, 2018

**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.

**ACCOUNTANT'S REPORT**

The Independent Accountant's Report on State Compliance, on Internal Control Over Compliance, and on Supplementary Information for State Compliance Purposes does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and identifies material weaknesses in internal control over compliance.

**SUMMARY OF FINDINGS**

<u>Number of</u>	<u>Current</u>	<u>Prior</u>
Findings	<u>Report</u>	<u>Reports*</u>
Repeated findings	4	1
Prior recommendations implemented or not repeated	0	0
	1	1

\*This column includes all findings reported in the Agency's Fiscal Year 2017 financial audit and Fiscal Year 2016 compliance examination reports.

**SCHEDULE OF FINDINGS**

<u>Item No.</u>	<u>Page</u>	<u>Description</u>	<u>Finding Type</u>
FINDINGS ( <i>GOVERNMENT AUDITING STANDARDS</i> )			
2018-001	13	Inadequate Control over Financial Reporting	Material Weakness
2018-002	18	Noncompliance with the State Finance Act	Material Weakness and Noncompliance
FINDINGS ( <i>STATE COMPLIANCE</i> )			
2018-003	20	Inadequate Control over Personal Services	Significant Deficiency and Noncompliance
2018-004	23	Inadequate Control over Accounts Receivable	Significant Deficiency and Noncompliance

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2018

**SCHEDULE OF FINDINGS – CONTINUED**

In addition, the following findings which are reported as current findings and questioned costs relating to *Government Auditing Standards* also meet the reporting requirements for State Compliance.

2018-001	13	Inadequate Control over Financial Reporting	Material Weakness and Material Noncompliance
2018-002	18	Noncompliance with the State Finance Act	Material Weakness and Material Noncompliance

PRIOR FINDING NOT REPEATED

A	26	Failure to Report Contractual Commitments
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**EXIT CONFERENCES**

The *Government Auditing Standards* findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on August 1, 2019. Attending were:

Illinois Power Agency

Anthony Star – Director

Gloria Gibson – Chief Financial Officer

Office of the Auditor General

Daniel J. Nugent, CPA – Senior Audit Manager

The responses to the *Government Auditing Standards* recommendations were provided by Gloria Gibson, Chief Financial Officer, in a correspondence dated August 1, 2019.

The State Compliance findings and recommendations appearing in this report were discussed with Agency personnel at an exit conference on January 16, 2020. Attending were:

Illinois Power Agency

Anthony Star – Director

Gloria Gibson – Chief Financial Officer

Sanjay Patel – Chief Operating Officer

Office of the Auditor General

Daniel J. Nugent, CPA – Senior Audit Manager

The responses to the State Compliance recommendations were provided by Gloria Gibson, Chief Financial Officer, in a correspondence dated January 16, 2020.

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OFFICE OF THE AUDITOR GENERAL  
FRANK J. MAUTINO

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

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

**Compliance**

We have examined the State of Illinois, Illinois Power Agency'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, 2018. The management of the State of Illinois, Illinois Power Agency is responsible for compliance with these requirements. Our responsibility is to express an opinion on the State of Illinois, Illinois Power Agency's compliance based on our examination.

- A. The State of Illinois, Illinois Power Agency 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 State of Illinois, Illinois Power Agency 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 State of Illinois, Illinois Power Agency 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 State of Illinois, Illinois Power Agency 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 State of Illinois, Illinois Power Agency on behalf of the State or held in trust by the State of Illinois, Illinois Power Agency 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 as adopted by the Auditor General pursuant to the Act. Those standards, the Act, and the Audit Guide require that we plan and perform the examination to obtain reasonable assurance about whether the State of Illinois, Illinois Power Agency complied, in all material respects, with the specified requirements listed above. An examination involves performing procedures to obtain evidence about whether the State of Illinois, Illinois Power Agency complied with the specified requirements listed above. The nature, timing and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance, whether due to fraud or error.

We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our opinion. Our examination does not provide a legal determination on the State of Illinois, Illinois Power Agency's compliance with specified requirements.

Our examination disclosed the following material noncompliance with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2018. As described in items 2018-001 and 2018-002 in the accompanying schedule of findings, the State of Illinois, Illinois Power Agency did not comply with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations. Further, as described in item 2018-002 in the accompanying schedule of findings, the State of Illinois, Illinois Power Agency did not comply with requirements that money or negotiable securities or similar assets handled by the State of Illinois, Illinois Power Agency on behalf of the State or held in trust by the State of Illinois, Illinois Power Agency were properly and legally administered and the accounting and recordkeeping relating thereto was proper, accurate, and in accordance with law. Compliance with such requirements is necessary, in our opinion, for the State of Illinois, Illinois Power Agency to comply with the requirements listed in the first paragraph of this report.

In our opinion, except for the material noncompliance described in the preceding paragraph, the State of Illinois, Illinois Power Agency complied, in all material respects, with the compliance requirements listed in the first paragraph of this report during the two years ended June 30, 2018. However, the results of our procedures identified other instances of noncompliance with the requirements, 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 items 2018-003 and 2018-004.

The State of Illinois, Illinois Power Agency's responses to the findings identified in our examination are described in the accompanying schedule of findings. The State of Illinois, Illinois Power Agency's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on compliance is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the Audit Guide issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

## **Internal Control**

Management of the State of Illinois, Illinois Power Agency 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 State of Illinois, Illinois Power Agency's internal control over compliance with the requirements listed in the first paragraph of this report to determine the examination procedures that are appropriate in the circumstances 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 State of Illinois, Illinois Power Agency's internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Power Agency's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in 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 over compliance, 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2018-001 and 2018-002 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings as items 2018-003 and 2018-004 to be significant deficiencies.

As required by the Audit Guide, immaterial findings excluded from this report have been reported in a separate letter.

The State of Illinois, Illinois Power Agency's responses to the internal control findings identified in our examination are described in the accompanying schedule of findings. The State of Illinois, Illinois Power Agency's responses were not subjected to the procedures applied in the compliance examination and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Audit Guide, issued by the Illinois Office of the Auditor General. Accordingly, this report is not suitable for any other purpose.

### **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 for the years ended June 30, 2017 and June 30, 2018, in Schedules 1 through 5 and the Analysis of Operations Section 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 June 30, 2017 and June 30, 2018, accompanying supplementary information in Schedules 1 through 5. However, we do not express an opinion on the accompanying supplementary information.

We have not applied procedures to the June 30, 2016, accompanying supplementary information in Schedules 3 through 5 and in the Analysis of Operations Section, and accordingly, we do not express an opinion or provide any assurance on it.

**SIGNED ORIGINAL ON FILE**

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JANE CLARK, CPA  
Director of Financial and Compliance Audits

Springfield, Illinois  
January 22, 2020

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OFFICE OF THE AUDITOR GENERAL  
FRANK J. MAUTINO

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Honorable Frank J. Mautino  
Auditor General  
State of Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Illinois Power Agency Operations Fund, the Illinois Power Agency Renewable Energy Resources Fund, and the Illinois Power Agency Trust Fund of the State of Illinois, Illinois Power Agency, as of and for the year ended June 30, 2018, and the related notes to the financial statements, as listed in the table of contents, and have issued our report thereon dated August 1, 2019, which contained an emphasis of matter paragraph stating the financial statements present only the Illinois Power Agency Operations Fund, the Illinois Power Agency Renewable Energy Resources Fund, and the Illinois Power Agency Trust Fund and do not purport to, and do not, present fairly the financial position of the State of Illinois or the State of Illinois, Illinois Power Agency, as of June 30, 2018, and the changes in its financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our report includes a reference to other auditors who audited the financial statements of the Illinois State Board of Investment – an internal investment pool of the State of Illinois – as described in our report on the Illinois Power Agency Trust Fund of the State of Illinois, Illinois Power Agency's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the State of Illinois, Illinois Power Agency's internal control over financial reporting (internal control) of the Illinois Power Agency Operations Fund, the Illinois Power Agency Renewable Energy Resources Fund, and the Illinois Power Agency Trust Fund to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Illinois Power Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Illinois Power Agency'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, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* 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 were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings as item 2018-001 and 2018-002, which we consider to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the financial statements of the Illinois Power Agency Operations Fund, the Illinois Power Agency Renewable Energy Resources Fund, and the Illinois Power Agency Trust Fund of the State of Illinois, Illinois Power Agency are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings as item 2018-002.

### **State of Illinois, Illinois Power Agency's Responses to the Findings**

The State of Illinois, Illinois Power Agency's responses to the findings identified in our audit are described in the accompanying schedule of findings. The State of Illinois, Illinois Power Agency's responses were not subjected to auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Illinois, Illinois Power Agency's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Illinois Power Agency's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

**SIGNED ORIGINAL ON FILE**

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JANE CLARK, CPA  
Director of Financial and Compliance Audits

Springfield, Illinois  
August 1, 2019

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
**SCHEDULE OF FINDINGS – GOVERNMENT AUDITING STANDARDS**  
For the Year Ended June 30, 2018

2018-001. **FINDING** (Inadequate Control over Financial Reporting)

The Illinois Power Agency (Agency) did not exercise adequate control over preparing and accounting for its financial transactions or preparing its financial statements. The Agency reports transactions in the Illinois Power Agency Trust Fund (Fund 424), the Illinois Power Agency Operations Fund (Fund 425), and the Illinois Power Agency Renewable Energy Resources Fund (Fund 836).

During testing, we noted the following financial reporting problems:

- During our review of the financial statements and the Agency’s general ledger, we noted the Agency did not properly record all of its Fiscal Year 2018 transactions. In January 2019, we had the Agency review its financial transactions and post adjusting journal entries and the Agency posted the following corrections:
  - The Agency did not accrue payables or recognize expenditures for invoices processed during the Fiscal Year 2018 Lapse Period, as the Agency had recorded this activity within its accounting system as Fiscal Year 2019 transactions. After its review, the Agency posted adjusting entries of \$199,619 and \$1,332,515 in Fund 425 and Fund 836, respectively.
  - The Agency did not accrue accounts receivable or recognize revenues for utility invoices processed during the Fiscal Year 2018 Lapse Period, as the Agency had recorded this activity within its accounting system as Fiscal Year 2019 receipts. After its review, the Agency posted an adjusting entry of \$168,866 in Fund 425.
  - The Agency did not record an interfund transfer and the related cash of \$1,125,223 (see Finding 2018-002). After its review, the Agency posted an adjusting entry in Fund 425.
- The Agency did not completely record all investment activity performed on its behalf by the Illinois State Board of Investment in Fund 424. We proposed, and the Agency recorded in its final financial statements, a net adjusting entry of \$717,637 to correct this error.
- The Agency did not recognize the committed portion of Fund 424’s fund balance. We proposed, and the Agency recorded in its final financial statements, an adjusting entry of \$1,594,731 to correct this error at June 30, 2018.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
**SCHEDULE OF FINDINGS – GOVERNMENT AUDITING STANDARDS**  
For the Year Ended June 30, 2018

2018-001. **FINDING** (Inadequate Control over Financial Reporting) (continued)

- During testing of receipts subsequent to June 30, 2018, we identified a receipt from the State Employees' Retirement System of Illinois (SERS) that was a refund of a portion of the Agency's Fiscal Year 2018 employer contributions paid from Fund 425. We proposed, and the Agency recorded in its final financial statements, an adjusting entry to reduce expenditures and record the due from other State funds of \$19,199.
- The Agency did not reclassify liabilities to other State agencies for services rendered to Fund 425, totaling \$1,662, as amounts due to other State funds and not accounts payable. We proposed, and the Agency recorded in its final financial statements, an adjusting entry for this error.
- During our review of the Agency's draft notes to the financial statements, we noted the following errors and omissions:
  - The Interfund Balances and Activity footnote did not disclose the activity associated with a \$1.125 million transfer from Fund 424 to Fund 425 (see Finding 2018-002) or an interfund loan of \$150 million from Fund 836 to the State's General Fund not expected to be completely repaid until August 8, 2019.

The Codification (§ 2300.126) published by the Governmental Accounting Standards Board (GASB) requires the Agency disclose amounts due from other funds, the purpose for interfund balances, and any interfund balances not expected to be repaid within one year. Further, the Codification (§ 2300.127) requires the Agency disclose details about interfund transfers, including the amounts transferred and a general description of the transfers.

- We noted several instances where the Agency's trial balance did not agree with the Agency's notes to the financial statements. Additionally, we noted other non-financial disclosure errors, such as a misstatement in the employer contribution rate to the SERS during Fiscal Year 2018.

The Codification (§ 2300.102) states:

The notes to the financial statements should communicate information essential for fair presentation of the basic financial statements that is not displayed on the face of the financial statements. As such, the notes form an integral part of the basic financial statements.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
**SCHEDULE OF FINDINGS – GOVERNMENT AUDITING STANDARDS**  
For the Year Ended June 30, 2018

2018-001. **FINDING** (Inadequate Control over Financial Reporting) (continued)

Good internal controls over financial reporting include ensuring the notes to the financial statements are carefully prepared and adequately reviewed so both financial and non-financial information is fairly presented.

Additionally, during testing, we noted the following internal control problems impacting the Agency's transactions and internal accounting records:

- The Agency did not exercise adequate internal controls over processing payroll during Fiscal Year 2018. During testing of seven employees, we noted:
  - One employee (14%), a resident of the State of Maryland, did not have the correct amount of withholding.
  - Two employees (29%) did not have the correct payroll deductions for the employee's healthcare contribution for group insurance.
- While re-performing reconciliations between the Agency's receipt records and the State Comptroller's *Monthly Revenue Status* report (SB04), we noted discrepancies between the amount of procurement fees and supplier fees. In following up on this matter, we identified two receipts, totaling \$240,000, were misclassified within the Agency's internal accounting records for Fund 425. This error should have been identified during the Agency's monthly reconciliations.
- The Agency did not document a supervisory review of its contract and obligation activity reconciliations to the State Comptroller's records for 3 of 15 (20%) months during Fiscal Year 2018 for Fund 425 and Fund 836. In addition, we noted 2 of the 15 (13%) reconciliations were prepared between 23 and 26 days late.
- The Agency prepared one of 15 (7%) monthly reconciliations between its internal records and the State Comptroller's *Monthly Appropriation Status* report (SB01) for Fund 424, Fund 425, and Fund 836 24 days late.
- The Agency did not always recognize revenue from forfeitures which occurred when certain renewable energy suppliers failed to timely energize their system. We proposed, and the Agency recorded in its final financial statements, an adjusting entry to reduce bid deposits payable and recognize revenue of \$13,776 in Fund 836.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
**SCHEDULE OF FINDINGS – GOVERNMENT AUDITING STANDARDS**  
For the Year Ended June 30, 2018

2018-001. **FINDING** (Inadequate Control over Financial Reporting) (continued)

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Agency establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance “revenues, expenditures, and transfers of assets, resources, or funds applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial and statistical reports and to maintain accountability over the State's resources.” Further, the Statewide Accounting Management System (Procedure 07.30.20) requires the Agency reconcile its records to the State Comptroller’s records within 60 days of month end and work with the State Comptroller in resolving any discrepancies.

Agency officials stated these errors were due to oversight and insufficient qualified staff during critical periods.

Failure to ensure all transactions and required non-financial disclosures were complete and appropriately reflected in the financial statements could have, if not detected and corrected, resulted in a material misstatement of the Agency’s financial statements. Further, failure to establish and maintain internal fiscal and administrative controls over both transactions and reconciliations could result in legal risks to the State, reliance on inaccurate financial data, and errors and other irregularities not being timely detected and corrected. (Finding Code No. 2018-001)

**RECOMMENDATION**

We recommend the Agency review its internal controls over its financial reporting process and implement procedures to ensure:

- 1) transactions are appropriately recorded and reflected within its financial statements and accounting records;
- 2) its notes to the financial statements conform with GASB requirements and are accurate;
- 3) payroll tax withholding and insurance deductions are accurate; and,
- 4) reconciliations to the State Comptroller’s records are timely prepared and reviewed by an independent person.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
**SCHEDULE OF FINDINGS – GOVERNMENT AUDITING STANDARDS**  
For the Year Ended June 30, 2018

2018-001. **FINDING** (Inadequate Control over Financial Reporting) (continued)

**AGENCY RESPONSE**

The Agency agrees with this finding. The Agency will review its internal governance and control structures and implement appropriate procedures to ensure the following: (1) all Agency transactions are appropriately recorded and reflected within its accounting records and financial statements; (2) corresponding notes to the financial statements are accurate and conform with GASB requirements; (3) payroll tax withholding and insurance deductions are accurate; and (4) Agency financial reconciliations to the State Comptroller's Office records are prepared accurately and timely and reviewed by an independent Agency staff member. In addition, the Agency requested that the Department of Innovation and Technology (DoIT) correct the Maryland withholding rate, but DoIT declined to do so.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
**SCHEDULE OF FINDINGS – GOVERNMENT AUDITING STANDARDS**  
For the Year Ended June 30, 2018

2018-002. **FINDING** (Noncompliance with the State Finance Act)

The Illinois Power Agency (Agency) did not comply with statutory provisions governing transfers from the Illinois Power Agency Trust Fund (Trust Fund) to the Illinois Power Agency Operations Fund (Operations Fund).

During testing, we noted the process to transfer the prior year's investment income from the Trust Fund to the Operations Fund under the State Finance Act (30 ILCS 105/6z-75) and the Statewide Accounting Management System (SAMS) requires 13 steps.

During testing of this fiscal year's transfer of \$1,125,223, we noted the following problems:

- The Agency, when it obtained the first Treasurer's Draft to deposit its cash receipt from the Illinois State Board of Investment (Board) into the Trust Fund, erroneously deposited the \$1,125,223 into the Operations Fund. The Agency subsequently identified this error and submitted a Receipt Transfer Request Form (Form SCO-102) to the State Comptroller to correct the error and deposit the amount into the Trust Fund.
- The Agency, once the cash was on deposit in the Trust Fund, erroneously did not charge the total transfer amount against its Trust Fund appropriation for transferring the cash into the Operations Fund on an invoice voucher (Form C-13). Instead, the Agency submitted a Form SCO-102 to complete the transfer, which reversed the correcting entry previously made by the Agency.
- The Agency, after the State Treasurer had deposited interest income into the Trust Fund now owed to the Board, erroneously charged its \$823 of interest earned in the Trust Fund against its Fiscal Year 2019 appropriation for the transfer of cash from the Trust Fund to the Operations Fund. The Agency should have performed this transfer using a Form C-13 charged against a nonappropriated account within the Trust Fund to disburse the interest income earned to the Board. As of the end of fieldwork, this error had not been corrected.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Agency establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance resources are utilized in compliance with applicable law and transfers are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
**SCHEDULE OF FINDINGS – GOVERNMENT AUDITING STANDARDS**  
For the Year Ended June 30, 2018

2018-002. **FINDING** (Noncompliance with the State Finance Act) (continued)

Agency officials stated these errors were due to the unfamiliarity of staff members with an extremely complex statutory process.

Failure to properly transfer investment income from the Trust Fund to the Operations Fund represents noncompliance with the State Finance Act and resulted in the State's accounting records not properly reflecting all of the various components of this transaction. (Finding Code No. 2018-002)

**RECOMMENDATION**

We recommend the Agency comply with the statutory transfer provisions, or seek a legislative remedy to simplify the process.

**AGENCY RESPONSE**

The Agency agrees with this finding. The Agency has implemented procedures to ensure that the statutory transfer provisions governing transfers from the Trust Fund to the Operations Fund are properly implemented in accordance with applicable law. Additionally, the Agency will consider seeking a legislative remedy to simplify the transfer process between the Trust Fund and Operations Fund.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
**SCHEDULE OF FINDINGS – STATE COMPLIANCE**  
For the Two Years Ended June 30, 2018

2018-003. **FINDING** (Inadequate Control over Personal Services)

The Illinois Power Agency (Agency) lacked adequate control over personal services.

During testing, we noted the following:

- Four of eight (50%) employees tested had their performance evaluation in Fiscal Year 2018 performed between 179 and 180 days after the end of the employee's evaluation period.

Good business practices include ensuring the timely communication of an employee's strengths and weaknesses in meeting their job responsibilities through a formal performance evaluation.

- Two of eight (25%) employees tested submitted timesheets between 12 and 196 days late.

The Agency's *Employee Handbook* states employees are to provide a signed time entry sheet to the employee's supervisor or Director within one business day of the end of every pay period, or as soon thereafter as practicable.

- Payroll deductions did not trace to the appropriate supporting documentation for six of eight (75%) of employees tested. We noted the following:
  - one employee had an incorrect calculation of withholding payable to the State of Maryland during Fiscal Year 2017 and Fiscal Year 2018;
  - five employees had an incorrect number of withholding exemptions during Fiscal Year 2017;
  - one employee had an incorrect deduction for optional life insurance contributions during Fiscal Year 2017; and,
  - two employees had an incorrect employee contribution to the State Employees Group Insurance Program.

The Statewide Accounting Management System (SAMS) (Procedure 23.10.10) states all deductions from gross pay reflected on the payroll voucher must be supported by a deduction authorization form maintained by the Agency. In addition, SAMS (Procedure 23.20.05) requires the Agency to have on file a properly completed Federal/Illinois Form W-4 (Form C-25).

- Six of eight (75%) employees tested did not have a leave slip for 26 separate instances of compensated time off.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
**SCHEDULE OF FINDINGS – STATE COMPLIANCE**  
For the Two Years Ended June 30, 2018

2018-003. **FINDING** (Inadequate Control over Personal Services) (continued)

The Agency's *Employee Handbook* states an employee is to request approval of the use of leave on an Official Leave Request in advance, with unscheduled sick leave reported as soon as practicable.

- The employee's compensated time balance was not computed correctly for one of eight (13%) employees tested.
- Time taken off was not properly documented on the timesheet for two of eight (25%) employees tested.

Good internal controls require the Agency ensure attendance and payroll records are adequately documented and reconciled to ensure proper payroll expenditures.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Agency establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance expenditures applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports and to maintain accountability over the State's resources.

Agency officials indicated these errors were due to oversight.

Failure to establish and maintain adequate internal controls over payroll and attendance increases the risk that errors or other irregularities could occur and not be found within the normal course of operations, increases the risk of litigation to the State, and represents noncompliance with laws, rules, and regulations. (Finding Code No. 2018-003)

**RECOMMENDATION**

We recommend the Agency take action to ensure:

- 1) employees receive a performance evaluation and complete the evaluation process within a reasonable period of time after the end of the evaluation period, which is usually no more than 30 days;
- 2) employees timely submit timesheets or document the reason why it was not practicable to file the timesheet earlier;
- 3) employee timesheets are complete and accurate, with all leave time properly documented; and,
- 4) payroll deductions are properly calculated from the Agency's supporting documentation.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
**SCHEDULE OF FINDINGS – STATE COMPLIANCE**  
For the Two Years Ended June 30, 2018

2018-003. **FINDING** (Inadequate Control over Personal Services) (continued)

**AGENCY RESPONSE**

The Agency agrees with the finding. The Agency:

- 1) will implement a new process to ensure that performance evaluations are completed in a timely manner;
- 2) has implemented a process for having approved leave requests accompany timesheets; and,
- 3) has implemented a process to check that timesheets are free of formula errors.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
**SCHEDULE OF FINDINGS – STATE COMPLIANCE**  
For the Two Years Ended June 30, 2018

2018-004. **FINDING** (Inadequate Control over Accounts Receivable)

The Illinois Power Agency (Agency) did not exercise adequate control over reporting its accounts receivable activity to the Office of the State Comptroller (Comptroller).

During testing, we noted the following discrepancies between the Agency’s actual activity and its quarterly reports filed with the Comptroller regarding its accounts receivable during Fiscal Year 2018:

***Illinois Power Agency Operations Fund***

Reported Accounts Receivable Activity  
(in thousands)

	Beginning Balance	New Receivables	Collections	Ending Balance
Quarter 1	\$ 1,138	\$ 1,633	\$ 2,596	\$ 175
Quarter 2	175	135	-	310
Quarter 3	310	-	310	-
Quarter 4	-	169	-	169

Actual Accounts Receivable Activity  
(in thousands)

	Beginning Balance	New Receivables	Collections	Ending Balance
Quarter 1	\$ 1,138	\$ 1,458	\$ 2,596	\$ -
Quarter 2	-	420	420	-
Quarter 3	-	951	951	-
Quarter 4	-	699	530	169

Overstated and (Understated) Amounts  
(in thousands)

	Beginning Balance	New Receivables	Collections	Ending Balance
Quarter 1	\$ -	\$ 175	\$ -	\$ 175
Quarter 2	175	(285)	(420)	310
Quarter 3	310	(951)	(641)	-
Quarter 4	-	(530)	(530)	-

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
**SCHEDULE OF FINDINGS – STATE COMPLIANCE**  
For the Two Years Ended June 30, 2018

2018-004. **FINDING** (Inadequate Control over Accounts Receivable) (continued)

***Illinois Power Agency Renewable Energy Resources Fund***

Reported Accounts Receivable Activity  
(in thousands)

	Beginning Balance	New Receivables	Collections	Ending Balance
Quarter 4	\$ -	\$ -	\$ -	\$ -

Actual Accounts Receivable Activity  
(in thousands)

	Beginning Balance	New Receivables	Collections	Ending Balance
Quarter 4	\$ -	\$ 13	\$ 13	\$ -

Overstated and (Understated) Amounts  
(in thousands)

	Beginning Balance	New Receivables	Collections	Ending Balance
Quarter 4	\$ -	\$ (13)	\$ (13)	\$ -

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Agency establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance revenues and resources applicable to operations are properly recorded and accounted for to permit the preparation of accounts and reliable financial reports to maintain accountability over the State's resources. In addition, the Statewide Accounting Management System (SAMS) (Procedure 26.30.10) requires the Agency submit information to the Comptroller about its gross beginning balance, additions, collections, write-offs, other adjustments, and ending balance of accounts receivable each quarter on the *Accounts Receivable Activity* report (Form C-97).

Agency officials indicated these errors were due to oversight.

Failure to properly report accounts receivable activity to the Comptroller represents noncompliance with SAMS and reduces the overall reliability of Statewide accounts receivable reporting. (Finding Code No. 2018-004)

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
**SCHEDULE OF FINDINGS – STATE COMPLIANCE**  
For the Two Years Ended June 30, 2018

2018-004. **FINDING** (Inadequate Control over Accounts Receivable) (continued)

**RECOMMENDATION**

We recommend the Agency report all of its accounts receivable activity that occurs during a quarter to the Comptroller on its Form C-97 report.

**AGENCY RESPONSE**

The Agency agrees with the finding. The Agency has taken corrective measures to ensure its Form C-97 reports reconcile to the Agency's general ledger.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
**PRIOR FINDING NOT REPEATED**  
For the Two Years Ended June 30, 2018

A.        **FINDING**    (Failure to Report Contractual Commitments)

During the financial audit as of and for the year ended June 30, 2017, the Illinois Power Agency (Agency) did not report its contractual commitments to the Office of the State Comptroller (Comptroller).

During the current financial audit, we noted the Agency reported its contractual commitments to the Comptroller. (Finding Code No. 2017-001)

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
**COMPLIANCE EXAMINATION**  
For the Two Years Ended June 30, 2018

**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 Appropriations, Expenditures, and Lapsed Balances – Fiscal Year 2018
  - Schedule of Appropriations, Expenditures, and Lapsed Balances – Fiscal Year 2017
  - Comparative Schedule of Net Appropriations, Expenditures, and Lapsed Balances
  - Schedule of Changes in State Property
  - Comparative Schedule of Cash Receipts and Reconciliation of Cash Receipts to Deposits Remitted to the State Comptroller
  
- Analysis of Operations (Not Examined):
  - Agency Functions and Planning Program (Not Examined)
  - Analysis of Significant Variations in Expenditures
  - Analysis of Significant Variations in Receipts
  - Analysis of Significant Lapse Period Spending
  - Analysis of Accounts Receivable
  - Budget Impasse Disclosures (Not Examined)
  - Alternative Financing in Lieu of Appropriations and Programs to Address Untimely Payments to Vendors (Not Examined)
  - Interest Costs on Fiscal Year 2017 Invoices (Not Examined)
  - Average Number of Employees (Not Examined)
  - Service Efforts and Accomplishments (Not Examined)

The accountant's report that covers the Supplementary Information for State Compliance Purposes presented in the Compliance Report Section states the accountants have applied certain limited procedures as prescribed by the Audit Guide as adopted by the Auditor General to the June 30, 2018, and June 30, 2017, accompanying supplementary information in Schedules 1 through 5. However, the accountants do not express an opinion on the supplementary information. The accountant's report also states that they have not applied procedures to the Analysis of Operations Section and, accordingly, they do not express an opinion or provide any assurance on it.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES**  
Expenditure Authority for Fiscal Year 2018

**SCHEDULE 1**

For the Fifteen Months Ended September 30, 2018

Public Act 100-0021  FISCAL YEAR 2018	Expenditure Authority (Net of Transfers)	Expenditures Through June 30, 2018	Lapse Period Expenditures July 1 to September 30, 2018	Total Expenditures 15 Months Ended September 30, 2018	Balances Lapsed September 30, 2018
<b><u>APPROPRIATED FUNDS</u></b>					
Illinois Power Agency Operations Fund - 425					
Ordinary and Contingent Expenses	\$ 4,797,930	\$ 2,887,202	\$ 966,536	\$ 3,853,738	\$ 944,192
Subtotal, Fund 425	<u>\$ 4,797,930</u>	<u>\$ 2,887,202</u>	<u>\$ 966,536</u>	<u>\$ 3,853,738</u>	<u>\$ 944,192</u>
Illinois Power Agency Trust Fund - 424					
For Deposit into the Illinois Power Agency					
Operations Fund	\$ 1,125,223	\$ -	\$ -	\$ -	\$ 1,125,223
Subtotal, Fund 424	<u>\$ 1,125,223</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,125,223</u>
Illinois Power Agency Renewable Energy Resources Fund - 836					
Purchase of Renewable Energy or					
Renewable Energy Credits	\$ 50,000,000	\$ 3,210,752	\$ 1,456,027	\$ 4,666,779	\$ 45,333,221
Subtotal, Fund 836	<u>\$ 50,000,000</u>	<u>\$ 3,210,752</u>	<u>\$ 1,456,027</u>	<u>\$ 4,666,779</u>	<u>\$ 45,333,221</u>
<b>SUBTOTAL - APPROPRIATED FUNDS</b>	<u><u>\$ 55,923,153</u></u>	<u><u>\$ 6,097,954</u></u>	<u><u>\$ 2,422,563</u></u>	<u><u>\$ 8,520,517</u></u>	<u><u>\$ 47,402,636</u></u>

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES**  
Expenditure Authority for Fiscal Year 2018

**SCHEDULE 1**

For the Fifteen Months Ended September 30, 2018

	Expenditure Authority (Net of Transfers)	Expenditures Through June 30, 2018	Lapse Period Expenditures July 1 to September 30, 2018	Total Expenditures 15 Months Ended September 30, 2018	Balances Lapsed September 30, 2018
Public Act 100-0021					
<b>FISCAL YEAR 2018</b>					
<b><u>NONAPPROPRIATED FUNDS</u></b>					
Illinois Power Agency Trust Fund - 424					
Interfund Cash Transfers		\$ -	\$ -	\$ -	
Subtotal, Fund 424		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
<b>SUBTOTAL - NONAPPROPRIATED FUNDS</b>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
<b>GRAND TOTAL - ALL FUNDS</b>		<u>\$ 6,097,954</u>	<u>\$ 2,422,563</u>	<u>\$ 8,520,517</u>	

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2018, and have been reconciled to Agency records.

Note 2: Expenditure amounts are vouchers approved for payment by the Agency and submitted to the State Comptroller for payment to the vendor.

Note 3: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Agency to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 46 includes information from Agency management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the Agency to be submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriation.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES**  
Expenditure Authority for Fiscal Year 2017

**SCHEDULE 2**

For the Fifteen Months Ended September 30, 2017

Public Act 099-0524	Expenditure Authority (Net of Transfers)	Expenditures Through June 30, 2017	Lapse Period Expenditures July 1 to September 30, 2017	Total Expenditures 15 Months Ended September 30, 2017	Balances Lapsed September 30, 2017
FISCAL YEAR 2017					
<b><u>APPROPRIATED FUNDS</u></b>					
Illinois Power Agency Operations Fund - 425					
Ordinary and Contingent Expenses	\$ 3,201,400	\$ 2,005,815	\$ 713,498	\$ 2,719,313	\$ 482,087
Subtotal, Fund 425	<u>\$ 3,201,400</u>	<u>\$ 2,005,815</u>	<u>\$ 713,498</u>	<u>\$ 2,719,313</u>	<u>\$ 482,087</u>
Illinois Power Agency Trust Fund - 424					
For Deposit into the Illinois Power Agency					
Operations Fund	\$ 1,246,000	\$ -	\$ -	\$ -	\$ 1,246,000
Subtotal, Fund 424	<u>\$ 1,246,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,246,000</u>
Illinois Power Agency Renewable Energy Resources Fund - 836					
Purchase of Renewable Energy or					
Renewable Energy Credits	\$ 50,000,000	\$ 1,773,925	\$ 871,071	\$ 2,644,996	\$ 47,355,004
Subtotal, Fund 836	<u>\$ 50,000,000</u>	<u>\$ 1,773,925</u>	<u>\$ 871,071</u>	<u>\$ 2,644,996</u>	<u>\$ 47,355,004</u>
<b>SUBTOTAL - APPROPRIATED FUNDS</b>	<u><u>\$ 54,447,400</u></u>	<u><u>\$ 3,779,740</u></u>	<u><u>\$ 1,584,569</u></u>	<u><u>\$ 5,364,309</u></u>	<u><u>\$ 49,083,091</u></u>

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**SCHEDULE OF APPROPRIATIONS, EXPENDITURES, AND LAPSED BALANCES**  
Expenditure Authority for Fiscal Year 2017

**SCHEDULE 2**

For the Fifteen Months Ended September 30, 2017

	Expenditure Authority (Net of Transfers)	Expenditures Through June 30, 2017	Lapse Period Expenditures July 1 to September 30, 2017	Total Expenditures 15 Months Ended September 30, 2017	Balances Lapsed September 30, 2017
Public Act 099-0524					
<b>FISCAL YEAR 2017</b>					
<b><u>NONAPPROPRIATED FUNDS</u></b>					
Illinois Power Agency Trust Fund - 424					
Interfund Cash Transfers		\$ -	\$ -	\$ -	
Subtotal, Fund 424		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
<b>SUBTOTAL - NONAPPROPRIATED FUNDS</b>		<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
<b>GRAND TOTAL - ALL FUNDS</b>		<u>\$ 3,779,740</u>	<u>\$ 1,584,569</u>	<u>\$ 5,364,309</u>	

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2017, and have been reconciled to Agency records.

Note 2: Expenditure amounts are vouchers approved for payment by the Agency and submitted to the State Comptroller for payment to the vendor.

Note 3: Public Act 099-0524 authorizes the Agency to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 46 includes information from Agency management about the number of invoices and the total dollar amount of invoices held by the Agency to be submitted against its Fiscal Year 2017 appropriation.

Note 4: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Agency to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 46 includes information from Agency management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the Agency to be submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriation.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES, AND LAPSED BALANCES**  
For the Fiscal Year Ended June 30,

**SCHEDULE 3**

	Fiscal Year		
	2018	2017	2016
	Public Act 100-0021	Public Act 099-0524	Public Act 099-0524 and Court-Ordered Expenditures
<b>APPROPRIATED FUNDS</b>			
<b>Illinois Power Agency Operations Fund - 425</b>			
Expenditure Authority	\$ 4,797,930	\$ 3,201,400	\$ 4,069,488
<u>Expenditures</u>			
Ordinary and Contingent Expenses	\$ 3,853,738	\$ 2,719,313	\$ 2,441,874
For Deposit into the General Revenue Fund	-	-	496,988
Total Expenditures	<u>\$ 3,853,738</u>	<u>\$ 2,719,313</u>	<u>\$ 2,938,862</u>
Lapsed Balances	<u>\$ 944,192</u>	<u>\$ 482,087</u>	<u>\$ 1,130,626</u>
<b>Illinois Power Agency Trust Fund - 424</b>			
Appropriations	\$ 1,125,223	\$ 1,246,000	\$ 1,372,500
<u>Expenditures</u>			
For Deposit into the Illinois Power Agency Operations Fund	\$ -	\$ -	\$ -
Total Expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Lapsed Balances	<u>\$ 1,125,223</u>	<u>\$ 1,246,000</u>	<u>\$ 1,372,500</u>
<b>Illinois Power Agency Renewable Energy Resources Fund - 836</b>			
Appropriations	\$ 50,000,000	\$ 50,000,000	\$ 50,000,000
<u>Expenditures</u>			
Purchase of Renewable Energy or Renewable Energy Credits	\$ 4,666,779	\$ 2,644,996	\$ 1,091,679
Total Expenditures	<u>\$ 4,666,779</u>	<u>\$ 2,644,996</u>	<u>\$ 1,091,679</u>
Lapsed Balances	<u>\$ 45,333,221</u>	<u>\$ 47,355,004</u>	<u>\$ 48,908,321</u>

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**COMPARATIVE SCHEDULE OF NET APPROPRIATIONS,  
EXPENDITURES, AND LAPSED BALANCES**  
For the Fiscal Year Ended June 30,

**SCHEDULE 3**

	Fiscal Year		
	2018	2017	2016
<b><u>TOTAL - APPROPRIATED FUNDS</u></b>			
Total Appropriations	\$ 55,923,153	\$ 54,447,400	\$ 55,441,988
Total Appropriated Expenditures	\$ 8,520,517	\$ 5,364,309	\$ 4,030,541
Lapsed Balances	\$ 47,402,636	\$ 49,083,091	\$ 51,411,447
<b><u>NONAPPROPRIATED FUNDS</u></b>			
<b>Illinois Power Agency Trust Fund - 424</b>			
<u>Expenditures</u>			
Interfund Cash Transfers	\$ -	\$ -	\$ 90
Total Expenditures	\$ -	\$ -	\$ 90
Total Nonappropriated Expenditures	\$ -	\$ -	\$ 90
<b>GRAND TOTAL - ALL FUNDS</b>	<b>\$ 8,520,517</b>	<b>\$ 5,364,309</b>	<b>\$ 4,030,631</b>
<b><u>STATE OFFICERS' SALARIES</u></b>			
<b>Illinois Power Agency Operations Fund - 425</b>			
<b>(State Comptroller)</b>			
Director's Salary	\$ 103,800	\$ 103,800	\$ 103,800

Note 1: Expenditure authority, appropriations, expenditures, and lapsed balances were obtained from the State Comptroller's records as of September 30, 2018, and September 30, 2018, and have been reconciled to Agency records.

Note 2: Expenditure amounts are vouchers approved for payment by the Agency and submitted to the State Comptroller for payment to the vendor.

Note 3: Public Act 099-524 authorizes the Agency to pay Fiscal Year 2016 costs using its Fiscal Year 2017 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 46 includes information from Agency management about the number of invoices and the total dollar amount of invoices held by the Agency to be submitted against its Fiscal Year 2017 appropriation.

Note 4: Notwithstanding anything within Public Act 100-0021 to the contrary, Public Act 100-0021 authorized the Agency to pay for all costs incurred prior to July 1, 2018, using either its Fiscal Year 2017 or Fiscal Year 2018 appropriations for non-payroll expenditures. The Analysis of Operations section of this report at page 46 includes information from Agency management about the number of invoices and the total dollar amount of invoices from Fiscal Year 2016 and Fiscal Year 2017 held by the Agency to be submitted against either its Fiscal Year 2017 or Fiscal Year 2018 appropriation.

STATE OF ILLINOIS  
 ILLINOIS POWER AGENCY  
 COMPLIANCE EXAMINATION  
**SCHEDULE OF CHANGES IN STATE PROPERTY**  
 For the Two Years Ended June 30, 2018

**SCHEDULE 4**

		Equipment
Balance at July 1, 2016	\$	11,159
Additions		5,885
Deletions		-
Net Transfers		-
		<hr/>
Balance at June 30, 2017	\$	17,044
		<hr/> <hr/>
Balance at July 1, 2017	\$	17,044
Additions		3,151
Deletions		-
Net Transfers		-
		<hr/>
Balance at June 30, 2018	\$	20,195
		<hr/> <hr/>

Note: This schedule was derived from the Illinois Power Agency's property records, which were reconciled to property reports submitted to the Office of the State Comptroller.

STATE OF ILLINOIS SCHEDULE 5  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION OF  
CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER**  
For the Fiscal Year Ended June 30,

	Fiscal Year		
	2018	2017	2016
<b>Illinois Power Agency Operations Fund - 425</b>			
Interfund Cash Transfer from the Illinois Power Agency Trust Fund	\$ 1,125,223	\$ -	\$ 1,062,935
Procurement Operations:			
Bidder Fees	44,500	16,500	12,500
Supplier Fees	2,818,883	930,751	1,000,042
Reimbursements from Utility Companies	1,542,703	187,182	253,410
Total Receipts - Fund 425	<u>\$ 5,531,309</u>	<u>\$ 1,134,433</u>	<u>\$ 2,328,887</u>
Receipts, per Agency Records	\$ 5,531,309	\$ 1,134,433	\$ 2,328,887
Add: Deposits in Transit, Beginning of the Fiscal Year	-	-	-
Subtract: Deposits in Transit, End of the Fiscal Year	-	-	-
Deposits, Recorded by the State Comptroller	<u>\$ 5,531,309</u>	<u>\$ 1,134,433</u>	<u>\$ 2,328,887</u>
<b>Illinois Power Agency Trust Fund - 424</b>			
Interfund Cash Transfer from the Illinois State Board of Investment	\$ -	\$ -	\$ 1,200,000
Total Receipts - Fund 424	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,200,000</u>
Receipts, per Agency Records	\$ -	\$ -	\$ 1,200,000
Add: Deposits in Transit, Beginning of the Fiscal Year	-	-	-
Subtract: Deposits in Transit, End of the Fiscal Year	-	-	-
Deposits, Recorded by the State Comptroller	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,200,000</u>
<b>Illinois Power Agency Renewable Energy Resources Fund - 836</b>			
Procurement Operations:			
Supplemental Solar Procurement Bid Deposits	\$ 13,008	\$ 4,280	\$ 1,123,687
Total Receipts - Fund 836	<u>\$ 13,008</u>	<u>\$ 4,280</u>	<u>\$ 1,123,687</u>
Receipts, per Agency Records	\$ 13,008	\$ 4,280	\$ 1,123,687
Add: Deposits in Transit, Beginning of the Fiscal Year	128	-	-
Subtract: Deposits in Transit, End of the Fiscal Year	-	128	-
Deposits, Recorded by the State Comptroller	<u>\$ 13,136</u>	<u>\$ 4,152</u>	<u>\$ 1,123,687</u>

STATE OF ILLINOIS SCHEDULE 5  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**COMPARATIVE SCHEDULE OF CASH RECEIPTS AND RECONCILIATION OF  
CASH RECEIPTS TO DEPOSITS REMITTED TO THE STATE COMPTROLLER**  
For the Fiscal Year Ended June 30,

<b>General Revenue Fund - 001</b>	Fiscal Year		
	2018	2017	2016
Late Repayment of Amounts Appropriated to the Illinois Power Agency from the General Revenue Fund in Fiscal Year 2008 and Fiscal Year 2009 Pursuant to the State Finance Act (30 ILCS 105/6z-75(d)(2)) as Appropriated by Public Act 100-0021	\$ -	\$ 496,988	\$ -
Total Receipts - Fund 001	\$ -	\$ 496,988	\$ -
Receipts, per Agency Records	\$ -	\$ 496,988	\$ -
Add: Deposits in Transit, Beginning of the Fiscal Year	-	-	-
Subtract: Deposits in Transit, End of the Fiscal Year	-	-	-
Deposits, Recorded by the State Comptroller	\$ -	\$ 496,988	\$ -
<b>GRAND TOTAL - ALL FUNDS</b>			
Total Cash Receipts, per Agency Records	\$ 5,544,317	\$ 1,635,701	\$ 4,652,574
Add: Deposits in Transit, Beginning of the Fiscal Year	128	-	-
Subtract: Deposits in Transit, End of the Fiscal Year	-	128	-
Total Deposits, Recorded by the State Comptroller	\$ 5,544,445	\$ 1,635,573	\$ 4,652,574

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**AGENCY FUNCTIONS AND PLANNING PROGRAM**  
For the Two Years Ended June 30, 2018

(NOT EXAMINED)

Agency Functions

The Illinois Power Agency (Agency) was established in Fiscal Year 2008 by the Illinois Power Agency Act (Act) (20 ILCS 3855).

The Agency's mission is to (a) develop procurement plans to ensure adequate, reliable, affordable, efficient and environmentally sustainable electric service at the lowest cost over time; (b) conduct competitive procurement processes to procure the supply resources identified in the procurement plans; (c) develop and implement a Zero Emission Standard Procurement Plan; (d) develop a Long-Term Renewable Resources Procurement Plan and implement the programs and procurements contained in the Plan, including the Adjustable Block Program and the Illinois Solar for All Program; (e) develop electric generation and co-generation facilities that use indigenous coal or renewable resources, or both, financed with bonds issued by the Illinois Finance Authority; and, (f) supply electricity from the Agency's facilities at cost to one or more of the following: municipal electric systems, governmental aggregators, or rural electric cooperatives in the State of Illinois.

During the examination period, the Agency developed the 2017 Procurement Plan and 2018 Procurement Plan, which were approved by the Illinois Commerce Commission (Commission) in December 2016 and December 2017, respectively. In addition, pursuant to provisions in Public Act 099-0906, the Agency developed (1) the Zero Emission Standard Procurement Plan, which was approved by the Commission in September 2017, and (2) the Long-Term Renewable Resources Procurement Plan, which was approved by the Commission in April 2018.

The Agency held an electricity procurement in September 2016 in accordance with the 2016 Procurement Plan, distributed generation renewable energy credit procurements in May 2017 and October 2017 in accordance with the 2017 Procurement Plan, electricity procurements in April 2017 and August 2017 in accordance with its 2017 Procurement Plan, a zero emissions credit procurement in January 2018 in accordance with the Zero Emissions Standard Procurement Plan, and an electricity procurement in April 2018 in accordance with its 2018 Procurement Plan. In addition, the Agency held Initial Forward Procurements for Renewable Energy Credits (RECs) in accordance with the Act (20 ILCS 3855/1-75(l)(G)) in August 2017, March 2018, and April 2018. The results of those procurements were approved by the Commission.

For each procurement event, bidder participation fees were assessed, as determined by the Agency. In addition, successful bidders were assessed supplier fees, which were determined by a formula based upon the volume awarded to each winning bidder and a unit price. The unit price of the supplier fee was determined by the Procurement Administrator in collaboration with the Agency and is designed to recoup the costs of conducting the Procurement Event, including the amount paid by the Agency to the Procurement Administrator. All bidder and supplier fees were paid. The results of all previous procurement events are available on the Agency's website.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**AGENCY FUNCTIONS AND PLANNING PROGRAM**  
For the Two Years Ended June 30, 2018

(NOT EXAMINED)

Additionally, during Fiscal Year 2017, the Agency received Alternative Compliance Payments (ACPs). No ACPs were received in Fiscal Year 2018 as, pursuant to Public Act 099-0906, after June 1, 2017 ACPs were made to the applicable utility. By law, all alternative retail energy suppliers (ARES) operating in the Ameren Illinois, ComEd, and MidAmerican service territories were required to produce or procure a certain amount of renewable energy resources in order to meet Renewable Portfolio Standard (RPS) targets. ARES could meet 50% of its obligation by either producing or purchasing energy from renewable sources or making ACPs, while the other 50% of its obligation had to come from making ACPs, with the compliance period for ARES from June 1 to May 31. Public Act 99-0906 phased out this requirement over a several year period concluding in 2019.

At the end of each compliance period, each ARES was required to produce a report documenting its retail sales for the compliance period. This report was used to calculate the amount due in ACPs. The report and payment were submitted to the Commission, which then deposited the payment into the Illinois Power Agency Renewable Energy Resources Fund administered by the Agency. All ACPs were due annually on September 1.

Under the Act (20 ILCS 3855/1-15(b)), the Agency is an independent agency subject to the oversight of the Executive Ethics Commission. A majority of the Executive Ethics Commission appoints the Director, subject to confirmation by the Senate, who is responsible for all functions of the Agency and completion of the statutory and contractually assigned responsibilities and duties of the Agency.

#### Planning Program

While the Agency does not have a formal planning program, the Agency's goals are spelled out in various provisions of the Act. Those provisions effectively comprise the Agency's annual formal planning program, and are considered and implemented through the process of the developing and receiving approval of the annual procurement plan and the subsequent procurement events conducted by the Agency. The Agency also conducts a monthly review of its financial condition and results of operations among its staff. Further, the Director and Chief Financial Officer work collaboratively to ensure the accuracy and transparency of the Agency's financial information.

Additionally, the Agency's planning activities are further supplemented by the Director's frequent consultation with the Agency's staff members, consultants, and advisors. During weekly all-staff meetings, the Agency's current activities, immediate and pending needs, and future plans are reviewed and discussed. As a small Agency, staff members meet regularly to discuss collaboratively the administration of duties, deadlines, schedules, and progress towards goals.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Two Years Ended June 30, 2018

(NOT EXAMINED)

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2018 AND 2017**

**Illinois Power Agency Operations Fund - 425**

Ordinary and Contingent Expenses

The increase was due to the passage of Public Act 99-0906 which increased the scope of work and, consequently, expenditures for the Procurement Planning Consultant and the Procurement Administrator increased.

**Illinois Power Agency Renewable Energy Resources Fund - 836**

Purchase of Renewable Energy or Renewable Energy Credits

The increase was due to the passage of Public Act 099-0906 which increased the scope of work and, consequently, expenditures for the Procurement Planning Consultant and the Procurement Administrator increased.

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2017 AND 2016**

**Illinois Power Agency Operations Fund - 425**

For Deposit into the General Revenue Fund

The decrease was due to the Agency receiving a Fiscal Year 2016 appropriation to correct a prior period accounting error. This appropriation was not received by the Agency in Fiscal Year 2017. In Fiscal Year 2009, the Agency received appropriations from the General Revenue Fund to pay for its operational expenses, subject to a requirement to repay all amounts expended by the General Revenue Fund during either Fiscal Year 2010 or Fiscal Year 2011. On March 7, 2011, a vendor filed a claim against the General Revenue Fund for failure to pay an invoice. The Court of Claims entered an order on November 22, 2011, concluding the vendor's claim was a standard lapsed appropriation claim which should be paid pursuant to a stipulation entered by the Attorney General. The Court of Claims paid the vendor for the full amount due from the General Revenue Fund on June 12, 2012. The Agency repaid this amount from the Illinois Power Agency Operations Fund using the Fiscal Year 2016 appropriation.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES**  
For the Two Years Ended June 30, 2018

(NOT EXAMINED)

**ANALYSIS OF SIGNIFICANT VARIATIONS IN EXPENDITURES BETWEEN FISCAL YEARS 2017 AND 2016 (continued)**

**Illinois Power Agency Renewable Energy Resources Fund - 836**

Purchase of Renewable Energy or Renewable Energy Credits

The increase was due to the increasing number of photovoltaic projects coming online and beginning to deliver Renewable Energy Credits under the supplemental photovoltaic procurements during Fiscal Year 2017.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Two Years Ended June 30, 2018

(NOT EXAMINED)

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2018 AND 2017**

**Illinois Power Agency Operations Fund - 425**

Interfund Cash Transfer from the Illinois Power Agency Trust Fund

The timing of the interfund cash transfers changed under Public Act 099-0536 to have the annual transfer of investment income from the prior fiscal year, as opposed to the current fiscal year. As such, the transfer amount of \$1,125,223 related to Fiscal Year 2017 income was not transferred until Fiscal Year 2018 (see Finding 2018-002 about errors in recording this transaction).

Procurement Operations: Supplier Fees

The increase of \$1,888,132 in receipts was due to Public Act 099-0906, which significantly impacted the Agency's operations and scope of work. The Agency had additional procurements for Renewable Energy Credits in August 2017, March 2018, and April 2018 and a procurement for Zero Emission Credits in January 2018, which increased receipts received from supplier fees.

Procurement Operations: Reimbursements from Utility Companies

The increase of \$1,355,521 in receipts was due to Public Act 099-0906, which significantly impacted the Agency's operations and scope of work. Under Public Act 099-0906, the Agency had a significant increase in expenditures on procurement planning in order to develop the Zero Emission Standard Procurement Plan and the Long-Term Renewable Resources Procurement Plan. As costs associated with the development of those plans is recoverable from the utilities, reimbursement receipts from the utilities.

**General Revenue Fund – 001**

Late Repayment of Amounts Appropriated to the Illinois Power Agency from the General Revenue Fund in Fiscal Year 2008 and Fiscal Year 2009 Pursuant to the State Finance Act (30 ILCS 105/6z-75(d)(2)) as Appropriated by Public Act 100-0021

The decrease of \$496,988 was due to the Agency receiving an appropriation to correct a prior period accounting error. In Fiscal Year 2009, the Agency received appropriations from the General Revenue Fund to pay for its operational expenses, subject to a requirement to repay all amounts expended during either Fiscal Year 2010 or Fiscal Year 2011. On March 7, 2011, a vendor filed a claim against the General Revenue Fund for failure to pay an invoice. The Court of Claims entered an order on November 22, 2011, concluding the vendor's claim was a standard lapsed appropriation claim which should be paid pursuant to a stipulation entered by the Attorney General. The Court of Claims paid the vendor for the full amount due from the General Revenue Fund on June 12, 2012. The Agency repaid this amount from the Illinois Power Agency Operations Fund using this Fiscal Year 2016 appropriation, but the actual receipt transaction was not recorded until Fiscal Year 2017.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Two Years Ended June 30, 2018

(NOT EXAMINED)

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2017 AND 2016**

**Illinois Power Agency Operations Fund - 425**

Interfund Cash Transfer from the Illinois Power Agency Trust Fund

The decrease of \$1,062,935 was due a Fiscal Year 2016 transfer from the Illinois Power Agency Trust Fund to the Illinois Power Agency Operations Fund to reimburse Fiscal Year 2015 actual operating expenses. Due to the Agency's investments experiencing a loss during Fiscal Year 2016, there was no such transfer made in Fiscal Year 2017.

Procurement Operations: Reimbursements from Utility Companies

The decrease of \$66,228 was due to an increase in the amount of recoveries due under the law for preparing various procurement plans being offset by a significant amount of these recoveries not being collected until after the close of the fiscal year.

**Illinois Power Agency Trust Fund - 424**

Interfund Cash Transfer from the Illinois State Board of Investment

The decrease of \$1,200,000 was due to the timing of the transfer of moneys from the Illinois State Board of Investment to the Illinois Power Agency Trust Fund to reimburse the Illinois Power Agency Operations Fund for the Illinois Power Agency's Fiscal Year 2015 estimated operating expenses. The Fiscal Year 2015 transfer was made during the Fiscal Year 2015 Lapse Period. Therefore, the actual movement of cash occurred during Fiscal Year 2016. Due to the Agency's investments experiencing a loss during Fiscal Year 2016, there was no such transfer made in Fiscal Year 2017.

**Illinois Power Agency Renewable Energy Resources Fund - 836**

Procurement Operations: Supplemental Solar Procurement Bid Deposits

The decrease of \$1,119,407 was due to there not being a Supplemental Photovoltaic Procurement during Fiscal Year 2017. Therefore, there was no collection of new bid deposits; however, some vendors chose to replace their letters of credit with cash bid deposits during the year, resulting in a minimal amount of cash receipts.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS**  
For the Two Years Ended June 30, 2018

(NOT EXAMINED)

**ANALYSIS OF SIGNIFICANT VARIATIONS IN RECEIPTS BETWEEN FISCAL YEARS 2017 AND 2016 (continued)**

**General Revenue Fund – 001**

Late Repayment of Amounts Appropriated to the Illinois Power Agency from the General Revenue Fund in Fiscal Year 2008 and Fiscal Year 2009 Pursuant to the State Finance Act (30 ILCS 105/6z-75(d)(2)) as Appropriated by Public Act 100-0021

The increase of \$498,966 was due to a one-time transfer from the Illinois Power Agency Operations Fund to correct a prior period accounting error. In Fiscal Year 2009, the Agency received appropriations from the General Revenue Fund to pay for its operational expenses, subject to a requirement to repay all amounts expended during either Fiscal Year 2010 or Fiscal Year 2011. On March 7, 2011, a vendor filed a claim against the General Revenue Fund for failure to pay an invoice. The Court of Claims entered an order on November 22, 2011, concluding the vendor's claim was a standard lapsed appropriation claim which should be paid pursuant to a stipulation entered by the Attorney General. The Court of Claims paid the vendor for the full amount due from the General Revenue Fund on June 12, 2012. The Agency repaid this amount from the Illinois Power Agency Operations Fund using this Fiscal Year 2016 appropriation during the Fiscal Year 2016 Lapse Period. Therefore, the actual movement of cash occurred during Fiscal Year 2017.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**ANALYSIS OF SIGNIFICANT LAPSE PERIOD SPENDING**  
For the Two Years Ended June 30, 2018

(NOT EXAMINED)

**FISCAL YEAR 2018**

**Illinois Power Agency Operations Fund - 425**

Ordinary and Contingent Expenses

The significant spending during the Lapse Period was due to the Agency processing invoices related to consultants performing services related to the Spring 2018 procurement and for work on the development of the various procurement plans through June 30, 2018.

**Illinois Power Agency Renewable Energy Resources Fund - 836**

Purchase of Renewable Energy or Renewable Energy Credits

The significant spending during the Lapse Period was due to the Agency processing invoices associated with the fourth quarter delivery of Renewable Energy Credits in July 2018.

**FISCAL YEAR 2017**

**Illinois Power Agency Operations Fund - 425**

Ordinary and Contingent Expenses

The significant spending during the Lapse Period was due to the Agency processing invoices related to consultants performing services related to the Spring 2017 procurement and for work on the development of the various procurement plans through June 30, 2017.

**Illinois Power Agency Renewable Energy Resources Fund - 836**

Purchase of Renewable Energy or Renewable Energy Credits

The significant spending during the Lapse Period was due to the Agency processing invoices associated with the fourth quarter delivery of Renewable Energy Credits in July 2017.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**ANALYSIS OF ACCOUNTS RECEIVABLE**

For the Fiscal Year Ended June 30,

(NOT EXAMINED)

Illinois Power Agency Operations Fund - 425	Fiscal Year		
	2018	2017	2016
<b>NOT IN PROTEST (in thousands)</b>			
Receivables Not Past Due	\$ 169	\$ 1,138	\$ 165
1 - 90 Days	-	-	-
91 - 180 Days	-	-	-
181 Days - 1 Year	-	-	-
1 Year <= 2 Years	-	-	-
2 Years <= 3 Years	-	-	-
3 Years <= 4 Years	-	-	-
4 Years <= 5 Years	-	-	-
5 Years <= 10 Years	-	-	-
> 10 Years	-	-	-
	\$ 169	\$ 1,138	\$ 165
Gross Receivables - Fund 425	\$ 169	\$ 1,138	\$ 165
Less: Allowance for Doubtful Accounts	-	-	-
	\$ 169	\$ 1,138	\$ 165
Net Receivables - Fund 425	\$ 169	\$ 1,138	\$ 165

These amounts represent both billed receivables and accrued fees earned by the Agency from amounts charged to third parties for energy procurement planning.

**Illinois Power Agency Renewable Energy Resources Fund (RERF)**

The Agency was previously responsible for the financial reporting of Alternative Compliance Payments (ACPs). At the conclusion of each Energy Year (June through May), each Alternative Retail Electric Supplier calculated its liability by preparing a spreadsheet to self-report amounts due to the Illinois Commerce Commission (Commission) and remits the calculated amount due by September 1. During Fiscal Year 2016, the processing of all ACPs was administered by the Commission. The Commission accepted payments, verified the payment's accuracy to the self-reported spreadsheet, and deposited the cash receipts into the RERF. The Agency reported accounts receivable of \$71.606 million at June 30, 2016, for ACPs.

This process was eliminated by Public Act 099-0906, as all ACPs due after June 1, 2017, were paid to the utilities and not the RERF. As such, the Agency did not report any accounts receivable at June 30, 2018, or June 30, 2017.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**BUDGET IMPASSE DISCLOSURES**  
For the Two Years Ended June 30, 2018

(NOT EXAMINED)

Payment of Prior Year Costs in Future Fiscal Years

All of the Agency's Fiscal Year 2016 and Fiscal Year 2017 costs were paid pursuant to regular appropriations. The Agency did not have any outstanding unpaid invoices from either Fiscal Year 2016 or Fiscal Year 2017 after the closure of the Fiscal Year 2016 Lapse Period on August 31, 2016, and the closure of the Fiscal Year 2017 Lapse Period on September 30, 2017, respectively.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**ALTERNATIVE FINANCING IN LIEU OF APPROPRIATIONS AND  
PROGRAMS TO ADDRESS UNTIMELY PAYMENTS TO VENDORS**  
For the Two Years Ended June 30, 2018

(NOT EXAMINED)

Transactions Involving the Illinois Finance Authority

The Agency and its vendors did not participate in alternative financing in lieu of enacted appropriations involving the Illinois Finance Authority during Fiscal Year 2017 or Fiscal Year 2018.

Transactions Involving the Vendor Payment Program and Vendor Support Initiative Program

None of the Agency's vendors participated in the Vendor Payment Program (VPP) or the Vendor Support Initiative Program (VSI) during Fiscal Year 2017 and Fiscal Year 2018.

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**INTEREST COSTS ON FISCAL YEAR 2016 INVOICES**  
For the Year Ended June 30, 2016

(NOT EXAMINED)

Prompt Payment Interest Costs

The Agency did not incur any prompt payment interest due to vendors under the State Prompt Payment Act (Act) (30 ILCS 540) for its Fiscal Year 2017 invoices. The Agency's vendors were paid within 90 days. The Agency did, however, expend \$11,462 in prompt payment interest for interest accrued during Fiscal Year 2017 on its Fiscal Year 2016 invoices paid during the Fiscal Year 2016 Lapse Period using Fiscal Year 2016 appropriations.

STATE OF ILLINOIS  
 ILLINOIS POWER AGENCY  
 COMPLIANCE EXAMINATION  
**AVERAGE NUMBER OF EMPLOYEES**  
 For the Two Years Ended June 30, 2018

(NOT EXAMINED)

The following table, prepared from the Agency's records, presents the average number of employees, by function, for the Fiscal Year Ended June 30,

<u>Division</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Director	1	1	1
Administrative Services	5	4	4
Planning and Procurement Bureau	1	1	1
<b>Total Full-Time Equivalent Employees</b>	<u><u>7</u></u>	<u><u>6</u></u>	<u><u>6</u></u>

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**SERVICE EFFORTS AND ACCOMPLISHMENTS**  
For the Two Years Ended June 30, 2018

(NOT EXAMINED)

**Mission Statement:**

To execute the required advisory, planning, and procurement processes necessary to implement the provisions of the Illinois Power Agency Act.

**Program Goals:**

Objectives:

- 1) Develop annual electricity plans for ComEd, Ameren, and MidAmerican retail customers and submit the plans to the Illinois Commerce Commission for approval.
  - a. Include cost effective renewable resources sufficient to meet the standards specified in the Illinois Power Agency Act.
  - b. Include clean coal resources to the extent provided for in the Illinois Power Agency Act.
  - c. Develop a diverse supply portfolio plan, including consideration of demand response and energy efficiency as provided by law, to assist with achieving the lowest total cost to consumers over time, taking into account the benefits of price stability.
- 2) Conduct competitive procurement processes to procure the resources identified in the plan and as approved by the Illinois Commerce Commission.
  - a. Ensure appropriate price benchmarks are established.
  - b. Secure qualified procurement administrators.
  - c. Assess compliance with plans and provide expert advice to the Illinois Commerce Commission and the procurement administrators.
- 3) Develop and facilitate clean coal investment as provided for by law.

**Funds:**

Illinois Power Agency Operations Fund

**Statutory Authority:**

Illinois Power Agency Act (20 ILCS 3855)

STATE OF ILLINOIS  
ILLINOIS POWER AGENCY  
COMPLIANCE EXAMINATION  
**SERVICE EFFORTS AND ACCOMPLISHMENTS**  
For the Two Years Ended June 30, 2018

(NOT EXAMINED)

	2016 Actual	2017 Target/ Projected	2017 Actual	2018 Target/ Projected	2018 Actual	2019 Target/ Projected
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**Input Indicators**

Total expenditures - State appropriated funds (See Note)	\$ 4,030.5	\$ 54,448.0	\$ 5,364.3	\$ 55,923.1	\$ 8,520.5	\$ 64,339.8
Average monthly full-time equivalents	6.0	7.0	6.0	7.0	7.0	10.0

**Output Indicators**

*Customers with Fixed Price Supply in May:*

Ameren residential customers	411,189	N/A	408,607	N/A	419,335	N/A
ComEd residential customers	2,059,350	N/A	2,279,431	N/A	2,379,596	N/A
MidAmerican residential customers	78,213	N/A	78,163	N/A	77,814	N/A

**Outcome Indicators**

*Illinois Commerce Commission Approval of:*

Procurement Plan	Yes	Yes	Yes	Yes	Yes	Yes
Required Procurement Event Outcomes	Yes	Yes	Yes	Yes	Yes	Yes

**Efficiency/Cost-Effectiveness Indicators**

Renewable energy resource targets met within the constraints of the mandated cost caps	Yes	Yes	Yes	Yes	Yes	Yes
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Note: Total expenditures are expressed in thousands. The total actual expenditures for Fiscal Year 2016 (\$4,030.5 thousand) includes an interfund cash transfer (\$497 thousand) and renewable energy expenditures (\$1,091.7 thousand). The total actual expenditures for Fiscal Year 2017 (\$5,364.3 thousand) includes renewable energy expenditures (\$2,645.0 thousand). The total actual expenditures for Fiscal Year 2018 (\$8,520.5 thousand) includes an interfund cash transfer (\$1,152.2 thousand) and renewable energy expenditures (\$4,666.8 thousand).