

DOWNSTATE CHAPTER CONFERENCE

February 21 - 22, 2019



**Illinois
Government
Finance
Officers
Association**

Learning • Connecting • Progressing

WIFI INFORMATION

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ILLINOIS GFOA DOWNSTATE CHAPTER CONFERENCE

February 21-22, 2019

President Abraham Lincoln Springfield, A DoubleTree Hotel
701 East Adams Street, Springfield IL 62701

AGENDA

THURSDAY, FEBRUARY 21, 2019

- | | |
|----------------------------|--|
| 9:30 – 9:55 AM | Check-in and Networking |
| 9:55 – 10:00 AM | Welcome and Opening Remarks
<i>Molly Talkington, President, IGFOA Downstate Chapter</i>
<i>Sandy Evans, Finance Director, City of O’Fallon and</i>
<i>Vice President, IGFOA Downstate Chapter</i> |
| 10:00 – 11:25 AM | Influencing Without Authority - Achieving Results
Regardless of Your Positional Power
<i>Speaker: Kirk J. Hamsher, Carroll-Keller Group</i> |
| 11:25 – 11:40 AM | Break |
| 11:40 AM – 12:30 PM | Influencing Without Authority - Achieving Results Regardless of Your
Positional Power - Continued
<i>Speaker: Kirk J. Hamsher, Carroll-Keller Group</i> |
| 12:30 – 1:30 PM | Networking Luncheon |
| 1:30 – 2:20 PM | Grant Accountability and Transparency Act (GATA) – How to
Comply with the New Reporting Requirements
<i>Speakers: Carol A. Kraus, CPA, Director of the Grant Accountability and
Transparency Unit, Governor’s Office of Management and Budget</i>
Lori Beeler, CPA, Manager of the Grant Accountability and Transparency
Unit, Governor’s Office of Management and Budget |
| 2:20 – 2:30 PM | Break |
| 2:30 – 3:45 PM | Grant Accountability and Transparency Act (GATA) – How to
Comply with the New Reporting Requirements – Continued.
<i>Speakers: Carol A. Kraus, CPA, Director of the Grant Accountability and
Transparency Unit, Governor’s Office of Management and Budget</i>
Lori Beeler, CPA, Manager of the Grant Accountability and Transparency
Unit, Governor’s Office of Management and Budget |

THURSDAY, FEBRUARY 21, 2019 CONTINUED

- | | |
|-----------------------|---|
| 3:45 – 4:00 PM | Break |
| 4:00 – 4:50 PM | Current Bond Market and the Effects of
Federal Tax Law Changes
<i>Speaker: Stephen Adams, Director, Public Finance, PMA Securities</i>
<i>Andrew Kim, Director, Public Finance, PMA Securities</i> |
| 4:50 – 5:00 PM | Open Discussion/Q&A
<i>Sandy Evans, Finance Director, City of O’Fallon and
Vice President, IGFOA Downstate Chapter</i> |
| 5:30 – 7:00 PM | Networking Dinner at Saputo’s |

FRIDAY, FEBRUARY 22, 2019

- | | |
|-------------------------|---|
| 8:00 – 8:50 AM | Breakfast |
| 8:50 – 9:00 AM | Announcements
<i>Sandy Evans, Finance Director, City of O’Fallon and
Vice President, IGFOA Downstate Chapter</i> |
| 9:00 – 10:15 AM | Anatomy of an Illinois City or Village Bond Issue - Steps Involved
<i>Speakers: James M Snyder, Partner, Ice Miller</i>
<i>Kathy Thomas, Municipal Disclosure Administrator, Ice Miller</i>
<i>Robert P. Vail, Senior Vice President and Managing Director
of Public Finance, Bernardi Securities, Inc.</i>
<i>John M. Vezzetti, Vice President, Bernardi Securities, Inc.</i> |
| 10:15 – 10:30 AM | Break |
| 10:30 – 11:45 AM | Legislative Update
<i>Speaker: William D. McCarty II, Director - Office of Budget and
Management, City of Springfield, IGFOA Treasurer and Legislative
Committee Chair</i> |
| 11:45 AM – NOON | Closing Remarks
<i>Sandy Evans, Finance Director, City of O’Fallon and
Vice President, IGFOA Downstate Chapter</i> |
| NOON – 12:45 PM | Luncheon with the IGFOA Executive Board |

INFLUENCING WITHOUT AUTHORITY

Illinois Government Finance Officers Association

THE
Carroll-Keller
GROUP, LTD.

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Influencing Without Authority

Sponsored by: Illinois Government Finance Officers Association

Program Roadmap

Welcome

- ***Welcome***
- Session Objectives
- Approaches & Techniques for Influencing Without Authority
 - Whole Person Model
 - Perceptual Positions
 - Active Listening
 - Identity Conversation
 - Establishing & Sustaining a Winning Mindset
- Session Wrap-up

Program Roadmap

Session Objectives

- Welcome
- ***Session Objectives***
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- Session Wrap-up

Program Objectives

After attending this session, you will be better able to:

- Further develop the influencing techniques introduced during the program
- Describe the specific methods and models presented in the session
- Draw on a fresh perspective about how to influence others

Program Roadmap

Whole Person Model

- Welcome
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Whole Person Model

Cognitive

- Thoughts
- Ideas
- Analysis
- Suggestions
- Opinions
- Logic

Emotional

- Feelings
- Moods
- Gut reactions

Well Being

- Physical
- Social
- Emotional
- Environmental
- Cultural

Aspirational

Professional

- Growth
- Promotion
- Transitions

Personal

- Hobbies
- Family
- Vocations

Whole Person Model: Exercise



(On your own)

- Think of a time:
 - when you used element(s) from the Whole Person Model that helped you enhance your influence or rapport with another person.

OR

- when someone else used element(s) from the Whole Person Model that helped enhance their influence or rapport with you.
- Be prepared to discuss it with a partner.

(With a partner) – Share your stories with each other.

(On your own) – Consider volunteering to share your story with the entire class.

Program Roadmap

Perceptual Positions

- Welcome
- Session Objectives
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Perceptual Positions: Defined

Perceptual positions are “points of view” that you consciously take on – and through which you view people, experiences and the world around you.

Perceptual Positions

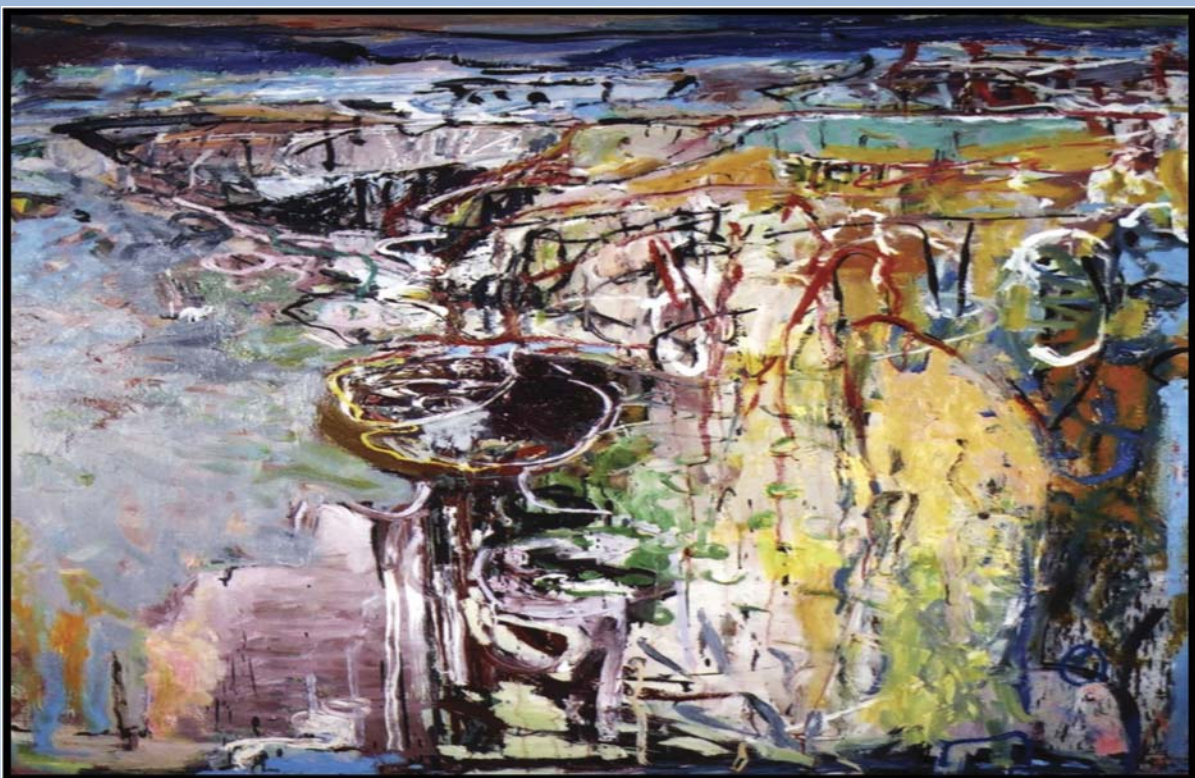
- Self
- Other
- Observer

Perceptual Positions: Exercise



- When can shifting to this position possibly benefit you e.g. in what situations?
- What can you be more effective at when you're using this specific perceptual position e.g. interacting more effectively with others, resolving problems, seizing opportunities?

Perceptual Positions: Provocation



Perceptual Positions: Provocation



Perceptual Positions: Provocation

We don't see things as they are.

We see things as _ _ _ _ _.

Program Roadmap

Active Listening

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Active Listening: Defined

A specific way of communicating that pursues one goal: to understand the other person's thoughts and feelings

Active Listening: Misconceptions

Active listening is not:

- Agreeing with the speaker's message
- Disagreeing with the speaker's message
- Evaluating the speaker's message
- Trying to coach the other person
- Giving advise
- Trivializing the message
- One-upmanship
- Sympathy
- Guidance
- Fixing the other person
- Using questions – for any other reason – than to gain better understanding
- Saying you once had the same experience

Active Listening: Only Seek To Understand

○ **Prepare**

- Create an open, “in-the-moment” (present) state of mind and emotion.

○ **Attend**

○ **Reflect**

- Use “internal signals” to help create an optimal mindset for listening.

○ **Keep waiting**

Active Listening: Only Seek To Understand (Mental & Emotional Preparation)

SAY

"She has a vital
need to sense
that I understand
her thoughts."

+

SAY

"She has a vital
need to sense
that I
understand her
feelings."

+

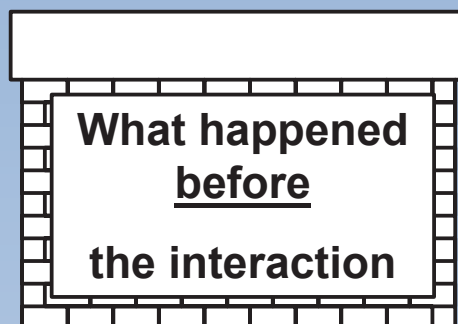
Attach an
emotional
anchor to
what you say.

Active Listening: Only Seek To Understand (Mental & Emotional Preparation)

Cancel

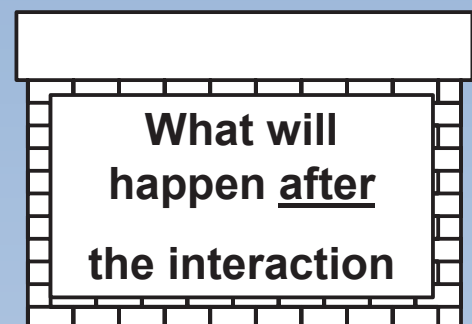


BLOCK OUT



+

BLOCK OUT



+

CREATE

An optimal state of
mind/emotion for
the present

Canceling Interrupting Thoughts

- **Acknowledge**
 - Consciously recognize the distracting thought.
- **Cancel**
 - Say “cancel” out loud (or silently to yourself).
- **Replace**
 - Replace it with self-talk similar to your original message.

Active Listening: Only Seek To Understand

- **Prepare**
- **Attend**

 - Genuinely focus on the speaker.
- **Reflect**
 - Use various channels of communication and approaches to convey you're paying attention.
- **Keep waiting**

Active Listening: Only Seek To Understand

- **Prepare**

- **Attend**

- **Reflect**

- **Keep waiting**

- Paraphrase.
- Summarize.
- Follow reflecting with a question, confirming your understanding.

Active Listening: Only Seek To Understand

- **Prepare**

- **Attend**

- **Reflect**

- **Keep waiting**

- Extend pausing after the speaker makes comments or you do.
- Do not cut off the speaker.

Active Listening: Exercise



(On your own)

○ Think of a time:

- when you actively listened to someone. How do you think it made that person feel?

OR

- when someone else actively listened to you. How did it make you feel?

○ Be prepared to discuss it with a partner.

(With a partner) – Share your stories with each other.

(On your own) – Consider volunteering to share your story with the entire class.

Exercise: Active Listening



(In your team)

Rotate the following roles: speaker, listener, observer.

Speaker: Choose a topic to speak on.

- Prepare until the facilitator asks you to stop.
- Speak until the facilitator asks you to stop.

Listener: Listen to the speaker in an actively present way, until the facilitator asks you to stop.

Observer: When the facilitator tells you to, provide this feedback to the listener:

- These are the things you did that conveyed you were listening in an active way.
- These are thing(s) I suggest you consider doing the next time you try active listening.

Program Roadmap

Identity Conversation

- Welcome
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The Identity Conversation

- Comprised of three crucial questions
 - Helping someone answer “yes” grows your influence and relationship with that person
 - Three Crucial Questions
 - Am I competent?
 - Am I a good person?
 - Am I worthy of being valued?
 - Your tools to help the person answer ‘yes’ to these questions
-
-
-

The Identity Conversation: Exercise



(On your own)

- Think of a time someone else helped you answer 'yes' to one or more of the three crucial questions.
- Describe how you responded to it, either immediately or after some time had passed.
- How did it make you think or feel?
- How do you think it impacted your relationship with that person?

(With a partner) – Share your responses to the four bullets above.

The Identity Conversation: Optional Exercise



(On your own)

- Reference the three 'crucial questions'.
 - On average, which **one** of the three do you think you are **most** successful in helping others answer 'yes' to?
- AND/OR**
- On average, which **one** of the three do you think you are **least** successful in helping others answer 'yes' to?
- Be prepared to discuss it with a partner.

(With a partner) – Share your answer(s) to the above question(s) with each other.

(On your own) – Consider volunteering to share your results with the entire class.

Program Roadmap

A Winning Mindset

- Welcome
- Session Objectives
- ***Approaches & Techniques for Influencing Without Authority***
 - Whole Person Model
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 - Active Listening
 - Identity Conversation
 - ***Establishing & Sustaining a Winning Mindset***
- Session Wrap-up

Self Talk: Defined

Any thought you have about yourself, anyone else, or anything else in the world around you

Self Talk: Three Levels



Level III – Positive Orientation

“I can”; “I will”; “I am”; “I do”.



Level II – Recognition of Need to Change

“I need to”; “I could”; “I should”.



Level I - Negative Acceptance

“I can’t”; “I won’t”.

Crafting Self Talk: Exercise



(On your own)

Write a self talk message that will create an empathic (caring) and/or positive mindset for you. It can be a word, phrase, sentence or series of sentences.

(With a partner)

Share your self talk message and explain why it resonates with you.

(On your own)

Consider volunteering to share your self talk message with the entire group.

Imaging: Defined

Any visual picture, representation, story or movie that you 'see' in your 'mind's eye'

Note:

Imaging is also referred to as:

- 'visualization'; and
- 'mental picture making'.

Creating Imaging: Exercise



(On your own)

Create a visualization that will create an empathic (caring) and/or positive mindset for you.

(With a partner)

Share your imaging message and explain why it resonates with you.

(On your own)

Consider volunteering to share your visualization with the entire group.

Program Roadmap

Session Wrap-up

- Welcome
- Session Objectives
- Approaches & Techniques for Influencing Without Authority
 - Whole Person Model
 - Perceptual Positions
 - Active Listening
 - Identity Conversation
 - Establishing & Sustaining a Winning Mindset
- **Session Wrap-up**

Recommended Reading List

- A Better Way to Think by H. Norman Wright. Grand Rapids, Michigan: Revell Publishing. 2011.
- Artful Persuasion by Harry Mills. New York, New York: AMACOM, 2000.
- Failing Forward by John Maxwell. Nashville, Tennessee: Thomas Nelson Publishers, 2000.
- Getting to Yes by Roger Fisher and William Ury. New York, New York: Penguin Publishing, 1991.
- how to make people like you: in 90 seconds or less by Nicholas Boothman. New York, New York: Workman Publishing, 2000.
- Just Listen by Mark Goulston. New York, New York: AMACOM, 2010.
- Now, Discover Your Strengths by Marcus Buckingham and Donald Clifton. New York, New York: The Free Press, 2001.
- The 8th Habit by Stephen Covey. New York, New York: The Free Press, 2004.
- The Art of Possibility by Rosamund and Benjamin Zander. New York, New York: Penguin Books, 2002.
- The Carrot Principle by Adrian Gostick and Chester Elton. New York, New York: The Free Press, 2007.
- The Power of Intention by Wayne Dyer. Carlsbad, California: Hay House, 2004.
- What to Say When You Talk to Yourself by Shad Helmstetter. New York, New York: Pocket Books, 1982.
- Whoever Makes the Most Mistakes Wins by Ralph Keyes and Richard Farson. New York, New York: The Free Press, 2002.

Congratulations!!

You have successfully completed the
Influencing Without Authority Program.

Best wishes for your future professional
and personal aspirations!

Thank you!

Perceptual Positions (Reference Sheet)

Perceptual Positions are comprised of the SELF, OTHER, and OBSERVER perspectives. The most trusting, cooperative, productive, and fulfilling relationships/communication result from being aware of - and using - all three positions.

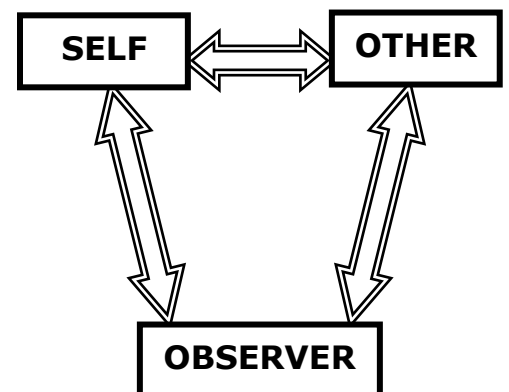
The **SELF** position is the space where you see the world with your eyes, hear/listen to the world with your ears, and feel the world with your heart. You are connected to your own values and beliefs and you know your bottom line. You are focused on your needs and getting what you want. Being in this position allows you to: stand for yourself; protect yourself; draw limits; assert yourself; stand for something you really value or believe in; take care of yourself. However, if you **ONLY** exist in this position - at all times - you may become (or be perceived as) egocentric, self-serving, selfish, a non-team player, someone not to trust, etc.

The **OTHER** position is the space where you shift your perspective to the other person. This is the space where you see the world through the other person's eyes, hear/listen to the world with his/her ears, and try to sense the world with his/her heart. You "try on" their beliefs and values. You try to sense their bottom line. You focus on their needs and understanding what they want. The benefits of this position are that you enhance your ability to: understand others thoughts/feelings; influence; be empathic; predict responses in various situations; motivate; sustain and validate others; exercise emotional intelligence; etc. If you **ONLY** exist in this position - at all times - you may become (or be perceived as) wishy-washy, a "yes" person, weak, unable to stand for yourself, unable to share candid thoughts and feelings with others, etc.

The **OBSERVER** position is the space where you shift your perspective to that of a detached outsider. In this space, you view/experience yourself, others and the entire setting in an objective way. You try to discern what is happening in a holistic way. This position allows you to: distance yourself from "over-emotion" or "unhealthy emotion" e.g. extreme anger; minimize bias; become a better self-coach as you observe your own behaviors; evaluate behaviors of individuals from a safe and remote location; look for patterns (similarities and differences) in the interactions between various parties. If you **ONLY** exist in this position - at all times - you may become (or be perceived as) cold, condescending, conceited, uncaring, disinterested in the group, a "know it all", etc.



View situations
using all positions!



Grant Accountability and Transparency Act



IGFOA CONFERENCE FEBRUARY 2019

What time is it?



Topics of Discussion

- Historical Evolution of GATA
- GATA Goals
- Illinois Before GATA
- GATA Framework
- GATA Accomplishments
- National Recognition of GATA
- Illinois After GATA
- Uniform Budget and Templates
- Indirect Cost Rate
- Submission Requirements for Local Governments
- Audit Report Review
- Next Steps
- GATA Challenges Continue
- Lessons Learned
- GATA Question?

*Successful agency oversight and successful grantees
will result in a successful Illinois.*

Historical Evolution of GATA

- The grantee community started an initiative to remove redundancies and streamline the grant process for the 4 human service agencies
- In 2010, based on this initiative, P.A. 96-1141 was passed by the Legislature; among other things, this legislation required recommendations to the General Assembly regarding addressing inefficiencies and redundancies, and limiting fraud and abuse
- As a result, a committee was formed with representatives of the 4 human service agencies and the grantee community to provide the requested recommendations to the General Assembly
- The committee unanimously agreed on 35 recommendations in 7 areas
- The recommendations were the basis of additional legislation, P.A. 97-0558, that created the Management Improvement Initiative Committee (MIIC); that legislation became effective on August 25, 2011, that added the Department on Aging subsequently joined the other human service agencies on MIIC
- In order to make uniform rules, MIIC recommended that the State follow the Federal grant rules, since the majority of grants issued in the State were Federally-funded or were used as matching, in-kind or maintenance-of-effort as a condition of existing Federal grants

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Historical Evolution of GATA

- Based on the work of MIIC, Representative Patricia Bellock and Senator Pamela Althoff sponsored legislation that created the Illinois Single Audit Commission (ILSAC) and charged it with researching and providing recommendations to extend the recommendations of MIIC Statewide
- Based on the recommendations of ILSAC, the Grant Accountability and Transparency Act (GATA) was created, sponsored by Representative Bellock, Senator Althoff, Representative Crespo and Senator Kotowski
- The overarching goals of GATA are to eliminate duplicative grant requirements and reduce administrative burdens while increasing accountability and transparency
 - ✓ GATA also recognizes the need for, and in fact requires that we provide, training and technical assistance for our grantees and grant administrators in Illinois

4

GATA GOALS



- Assist State agencies and grantees in implementing the new Federal guidance at 2 CFR Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Requirements)
- Increase accountability and transparency while reducing redundant administrative burdens
- Promote cross-sector cooperative efforts – recognize the need for State agency and Grantee input for rulemaking and implementation recommendations
- Strive to maintain a uniform process throughout the entire grant life cycle by leveraging the Uniform Guidance - 2 CFR 200
- Optimize resources – centralization and coordination of grant-monitoring activities to promote efficient use of scarce resources
- Focus on Program Outcomes
- Provide training and technical assistance for State agency staff and grantees

***Successful State agency oversight and successful grantees
will result in a successful Illinois.***

5

Illinois Before GATA



Communication

No uniform business processes and procedures for grant application, contracting, reporting, monitoring, and auditing.

No common grant terminology. Inconsistencies increase administrative costs with no value added.

Debarred or suspended entities' status in not shared among State agencies to prevent fraud and abuse.

Loss of institutional knowledge .

Technology

No statewide technology system to manage grants.

Prevalence of redundant, silo databases that are not supported.

Lack of transparency and comparable data regarding grantee performance and tracking.

Resources

Limited staff and resources available for monitoring.

Limited financial resources.

Turnover of grant staff results in gaps in processes.

GATA FRAMEWORK

7

GATA Phased Approach

- **Rulemaking Phase**
 - ✓ Review the Uniform Requirements; the rules can be more stringent, but not less stringent
 - ✓ Determine if we need to add additional requirements
 - ✓ Need to be flexible so that we can modify in the future, whenever necessary
- **Implementation Phase**
 - ✓ Based on the rules, set forth uniform framework for Statewide policies and procedures
 - ✓ Ensure that policies and procedures are flexible enough to add specific conditions for individual grant programs
 - ✓ Ensure that the rules meet the objectives of GATA to lessen the administrative burden and remove duplication
 - ✓ Ensure that the rules recognize the limitations of small providers and grant awards while helping to build capacity through training and technical assistance
- **Monitoring**
 - ✓ There will be an ongoing process of review and continuous improvement after the initial implementation of GATA

8

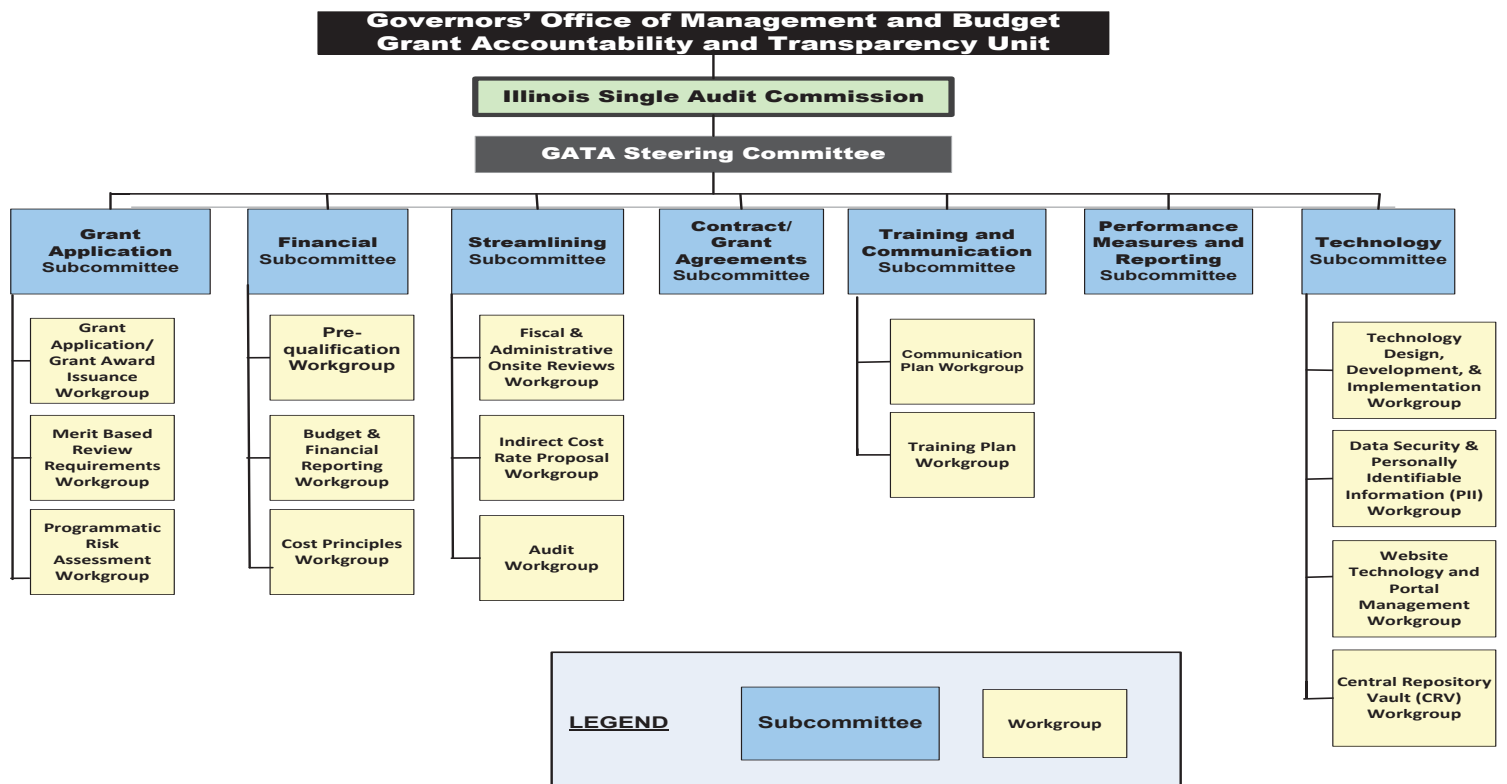


Establishing Guiding Principles

➤ Recognized the need to establish Guiding principles

- ✓ Identify the core requirements while recognizing that we need flexibility for unique program requirements – Uniformity is key - Do not manage by your outliers!
- ✓ Should be zero-based – do not add to existing policies and procedures; replace / remove the policies and procedures to reduce administrative burden
- ✓ Create efficient and effective policies and procedures
- ✓ Cost benefit relationship for small grantees, small grants and State grant-making agencies' grant management requirements
- ✓ Identify interrelationships between workgroups and subcommittees and communicate – avoid duplication of effort

9



10



GATA Steering Committee

The GATA Steering Committee is made up of the GATU staff, and the co-chairs of the subcommittees. The purpose of the GATA Steering Committee is to:

- Provide oversight and guidance to subcommittees and workgroups
- Review subcommittee recommendations
- Ensure that the recommendations follow Federal rules and meet the goals and objectives of GATA
- Ensure subcommittees did not propose contradictory or duplication in their rules

11

GATA Subcommittees' Roles and Responsibilities

Subcommittees and workgroups are critical to the success of GATA. The subcommittees are responsible for making recommendations for rules in areas where the State and Federal regulations allow for flexibility:

- Each subcommittee is responsible for reviewing the State and Federal regulations in that govern its topic in the Uniform Requirements and in GATA in order to make informed recommendations to the GATA Steering Committee
- Make Rule and Implementation Recommendations
- Performance metrics must be developed to measure the effectiveness of GATA
- Training programs must be developed to meet the needs of State agency and grantee staff
- Technology needs must be identified based on business process requirements

Change control management – managing expectations – is crucial

12

Educating the Subcommittees

- Train the subcommittees on their roles, scope and how they will interact with other subcommittees
- Provide training on the state and federal grant requirements at the beginning and as necessary based on clarifications, updates to the UG and FAQs
- Provide training to new committee members
- Big Picture - Keep members up to date on the accomplishments and roles of the other committee and how they interrelate
- Host joint meetings during the deliberation process and do not wait till the end

13

Collaboration – Key to Success

- Each subcommittee was required to have Co-Chairs – one representing state agency and one representing grantee perspectives and One GATU to represent the Legislative intent
- Also included representation from:
 - Small, medium and large grantee organizations
 - Cross sector of different state grant making agencies
 - local government
- Over 200 volunteers – with a 40% grantee participation
- Allows deliberations to include insight on the different perspectives to effectively think through grant policies and procedures for rule making and implementation phases



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Collaboration – Key to Success

- Found that subject matter expertise was not necessary for each subcommittee but needed to have at least one subject matter expert
- Subcommittee members must receive training before the deliberations start and on a continuous basis as clarifications are sought, new FAQs are issued
- Needed a Grant Accountability and Transparency Unit staff to ensure that the recommendations maintained:
 - Legislative intent
 - GATA Goals and Objectives
 - GATA guiding principles
- Have a dedicated staff to manage the committee member listing

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State Agency Roles, Responsibilities and Training

- GATA required the appointment of a Chief Accountability Officer (CAO) Responsible for Implementation and Compliance with GATA
- Participate in the Subcommittees and Workgroups
- Identify Small, Medium and Large Grantees to participate in workgroups
- Annual Training and Focus Group Training
- Agency Subject Matter Experts (SME) for Indirect Cost Rate Negotiation and Audit Report Review
- Next Step – Centralized Grant Monitoring Unit within the Agency

16

GATA Challenges

Agency implementation

- New leadership at State agencies
- No State Budget First 3 Years of Implementation
- Lack of Statewide Accounting or Grant Management Systems
- Appointment of Qualified Chief Accountability Officers at State grant-making agencies
- Grant reform requires restructuring at State agency and grantee levels
- Manage change control and expectations
- Build State agency capacity through training and State agency implementation plans
- Build grantee capacity through training and use of a fiscal agent when necessary
- Control checks to ensure State agency compliance
- *No Finish Line* – dynamic project requiring continuous assessment and improvement

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GATA ACCOMPLISHMENTS

18

INITIAL GATA SYSTEMS

CATALOG OF STATE FINANCIAL ASSISTANCE (CSFA)

- Modeled after the Catalog of Federal Domestic Assistance
- Contains all of the federally and state funded programs
 - Program descriptions, eligibility requirements, total funding available, exceptions to 2 CFR 200
 - Has both public and state agency purview
 - Is used to populate information for Notice of funding opportunity
 - Is used to populate information for grants awarded to the public
 - Includes a state staff inquiry screen with dashboard capabilities for grantee and subrecipient compliance with registration and prequalification, state and federally negotiated indirect cost rates, awards received, audit report compliance

GRANTEE PORTAL

- Grantee and subrecipient registration and prequalification, fiscal and administrative risk assessment, indirect cost rate negotiation gateway, audit report review management system, provides notifications of requirements with reminders and audit trail on completion

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GATA Efficiencies – FY17 CSFA Statistics

Catalog of State Financial Assistance (CSFA)

Approximately 1,250 different grant programs administered in Illinois

Approximately 35,000 grants issued by state grantmaking agencies

Approximately 5,850 unduplicated grantees

83% of grantees have awards from more than one state agency, some have grants with up to 15 different agencies

20

Optimize Resources, Remove Redundancies & Duplication

An analysis of grantees who received grants from two or more state grant making agencies:

Nearly 8,000 duplications in each common requirements including:

- Registration and prequalification
- Fiscal and administrative risk assessment and Specific Conditions
- Indirect cost rate negotiation
- Audit report review
- Grantee and state staff training
- Fiscal and administrative on-site reviews
- Grant Compliance Enforcement System (GCES)

21

Uniform Policies and Templates

- | | |
|--|--|
| •Registration and pre-qualification | •Notice of State Award |
| •Fiscal and administrative risk assessment and specific conditions | •Grant agreement |
| •Programmatic risk assessment framework | •Periodic financial and performance reporting |
| •Notice of Funding Opportunity | •Consolidated year-end financial reporting |
| •Grant application | •Audit requirements for grantees that do not meet the single audit threshold |
| •Budget | •Audit requirements for “For Profit” entities |
| •Conflict of interest | |
| •Illinois Stop Pay List (GCES) | |
| •Merit based review | |

22

GATA – Technology

COMPLETED

State grant information website

- www.grants.illinois.gov
- CSFA system
- Grant rules, FAQs, how to apply for grants
- Grant Training

State grant gateway portal

- Grantee registration and pre-qualification
- Fiscal and Administration Internal Control Assessment
- Statewide Centralized Repository Vault (CRV)
- Audit Report Review Management System
- Grantee Compliance Enforcement System (GCES)
- Gateway to Indirect Cost Rate Negotiation

LONG-TERM

State grant management system

Indirect Cost Rate Election System in Grantee Portal

Continuous improvement of State grant website and GATA Systems



23

National Recognition of GATA

Illinois Grant Accountability and Transparency Act is the first in the nation required to implement a comprehensive set of standards that mandate accountability and transparency throughout the entire grant life cycle

- The National Council of Nonprofits believes that the Illinois Grant Accountability and Transparency Act should be the national model
- The Federal Council on Financial Assistance Reform (COFAR) and President's Office of Management and Budget are encouraging other states to follow Illinois' lead
- 36 States, New York City, LA County, and 3 Federal Awarding Agencies are adopting GATA in whole or part

National Recognition GATA

- Two Case Studies are being conducted on GATA – Lincoln Institute of Land Policy and the Gartner Group
- One State is interested in purchasing Illinois' Grantee Registration, Pre-Qualification and Risk Assessment System
- One Grant Management Software Vendor has expressed interest in purchasing the GATA Registration, Pre-Qualification, Automated Financial and Administrative Risk Assessment and Audit Report Review System

25

Illinois After GATA

Communication

Uniform business processes and procedures for grant application, contracting, reporting, monitoring, and auditing.

Common grant terminology. Consistencies decrease administrative costs with value added.

Debarred or suspended entities' status shared among State agencies to prevent fraud and abuse.

Loss of institutional knowledge .

Technology

Statewide technology system to manage grants.

Removal of redundant, silo databases Replaced with centralized supported systems.

Increased transparency and comparable data regarding grantee performance and tracking.

Resources

Limited staff and resources available for monitoring but enhanced grant business processes and removal of duplication of effort.

Limited financial resources

Training available for new grant staff to allow of continuity of grant staff

Uniform Budget and Reporting Templates

GATA has adopted uniform budget, periodic reporting and performance reporting templates

- This is the third year of the uniform reporting templates, each year improvements have been based on input from the state agencies and their grantees and subrecipients
- We are currently working with the budget and reporting subcommittee to finalize suggested updates to the budget and reporting templates for FY 20.

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Uniform Budget and Reporting Templates

- The budget and reporting templates will be updated to include:
 - more detailed line items to assist grantees and subrecipients to negotiated an indirect cost rate.
 - Help facilitate budget approval and monitoring
 - Flexibility in the line items to be reported, have made great strides in the uniformity among agencies
- The biggest issue we have heard is that agencies without permission have changed the templates – we are hoping to have greater control with the statewide grant management system.

28

Indirect Cost Rate Negotiations/Elections

The State of Illinois received permission from its Federal Cognizant Agency (HHS) to centralize the indirect cost rate negotiation process

Illinois' approach to centralize and standardize the framework eliminates duplication and establishes consistency across agencies

- One Centralized Indirect Cost Rate System
- One Centralized Negotiation Service

One rate will be negotiated centrally for one grantee to use on all awards from all agencies

29

Centralized Indirect Cost Rate

- One of our biggest challenges in implementing GATA is the negotiation of indirect cost rates
- GATA requires an **annual** election of the indirect cost rate:
 - Federally Negotiated Rate
 - State Negotiated Rate
 - 10% De Minimis rate, "No Rate"
 - Waive charging indirect costs

30

Federally Negotiated Indirect Cost Rate

- If an organization received direct federal funding and has a Federally approved negotiated indirect cost rate agreement (NICRA), state agencies are required to accept and utilize the NICRA for indirect cost reimbursements
- Organization must make a “Federally Negotiated Indirect Cost Rate” election in Illinois’ Centralized Indirect Cost Rate System and upload a copy of the NICRA

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State Negotiated Indirect Cost Rate

If an organization only receives federal pass-through or state funding, it can elect to negotiate a state indirect cost rate

Organization must make a “State Negotiated Indirect Cost Rate” election in the Centralized ICR System

- State negotiation requires an indirect cost rate proposal to be submitted
- Organization may require professional assistance to develop an indirect cost rate proposal
- State negotiations are required annually

All state agencies are required to accept and utilize the approved state negotiated rate

32

10% De Minimis Rate

If an organization has *never* negotiated an indirect cost rate with the State or Federal Government they can elect the 10% de minimis rate

If eligible, an organization can use the de minimis indefinitely until such a time it wishes to negotiate a rate, which it may do at anytime

- Once a rate is negotiated, the organization cannot go back to the 10% de minimis rate

Not available for local government departments or agency units that receive more than \$35 Million in direct federal funding

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“No Rate” Election

Grantee recovers indirect costs via other source

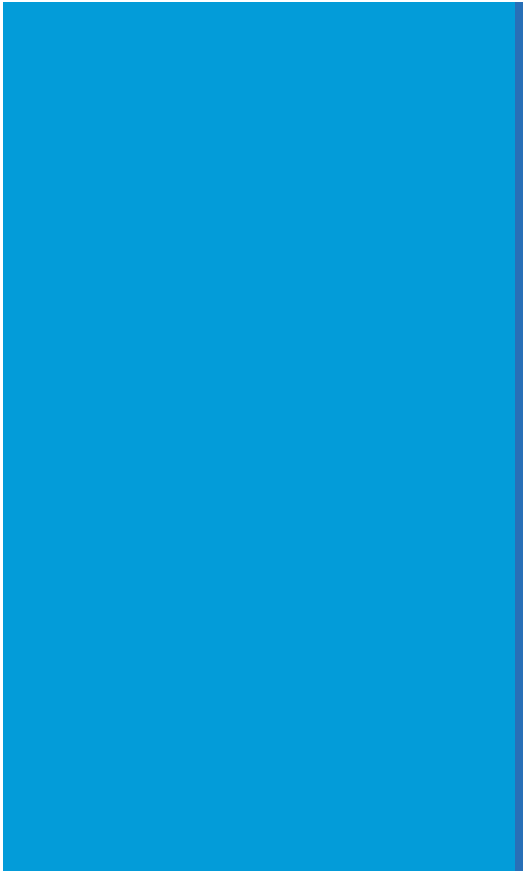
- Program revenue, donations, fundraising, etc.

Grantee may be a “Single Function Entity” where they receive only one award and administer one program, therefore all costs are deemed direct

- DO NOT – get the above statement confused with Direct Allocation Methodology (App. IV B.4)

Grantee certifies that they will not seek any indirect cost reimbursement from any State of Illinois award even if the award has an indirect cost limitation or cap restriction

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GATA Submission Requirements for Local Government

35

Local Government Indirect Cost Rate

Develop an increased understanding of how 2 CFR 200 applies to Local Governments including:

- Unique 2 CFR 200 requirements that only apply to Local Governments
- Connecting Local Government registration to indirect cost rate options and grantee compliance

Highlight Illinois policy specific to Local Government

36

Requirements Unique to Local Governments

Indirect cost requirements have a ripple effect on other items such as:

- Registration and prequalification
- Fiscal and administrative risk assessment
- Parent / child relationships
- Illinois Stop Pay List enforcement

All other federal Uniform Guidance requirements are the same for all grantees

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Uniform Guidance Citations Specific to Local Governments

§200.416 Cost allocation plans and indirect cost proposals

§200.417 Interagency service

§200.418 Costs incurred by states and local governments

Appendix V to Part 200—State/Local Governmentwide Central Service Cost Allocation Plans

Appendix VII to Part 200—States and Local Government and Indian Tribe Indirect Cost Proposals

38

Options for Local Government

Local Governments can elect to negotiate indirect cost rates on an entity wide basis or by individual department or division

- If the election is by department or division, each will be treated as a separate entity for negotiation of indirect cost rates
- Negotiating by department and division also requires separate DUNS and/or FEIN, registration, prequalification, fiscal and administrative risk assessment

Local Governments have the option to select the De Minimis Rate, if eligible, or negotiate a rate by department or division

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§200.416 Cost Allocation Plans and Indirect Cost Proposals

For states and local governments, certain services (e.g., motor pools, computer centers, purchasing, accounting) are provided to operating agencies on a centralized basis

Since awards are performed within the individual departments or divisions, there needs to be a process to identify central service costs and assign those costs to benefitted activities on a reasonable and consistent basis

A Central Service Cost Allocation Plan provides that process

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§200.416 Cost Allocation Plans and Indirect Cost Proposals

Individual department or divisions, normally charge awards for indirect costs through an indirect cost rate

A separate indirect cost rate proposal for each operating department or division is usually necessary to claim indirect costs under awards

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§200.416 Cost Allocation Plans and Indirect Cost Proposals

Indirect costs include:

- The indirect costs originating in each department or division of the governmental unit carrying out awards, and
- The costs of central governmental services distributed through the central service cost allocation plan and not otherwise treated as direct costs

Requirements for developing and submitting cost allocation plans (for central service costs and indirect cost rate proposals) are contained in appendices V and VII to 2 CFR 200

42

Submission of Local Government Indirect Cost Rate Proposals

Governmental department or division unit that receives more than \$35 million in direct Federal funding - must submit its indirect cost rate proposal to its Federal cognizant agency for indirect costs

A governmental department or division unit that receives less than \$35 million - must develop and maintain supporting documentation for audit and monitoring purposes

Non-Federal entities that only receive funds as a subrecipient - pass-through entity is responsible for negotiating and/or monitoring the subrecipient's indirect costs

GATA received permission from the US DHHS to centralize the required monitoring function. Local governments are required to submit their Central Services Cost Allocation plan and indirect cost rate for review

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Local Government Indirect Cost Rate Monitoring

Under GATA's monitoring central services cost allocation plans and indirect cost rates, the following steps are performed:

- Submission requirements for the CSCAP and the indirect cost rate are collected and reviewed
- Costs are reviewed for allowability
- Allocation methodology is reviewed for reasonableness and consistent application
- Mathematical accuracy is verified

This approach allows state agencies to apply rate(s) without performing additional monitoring activities to ensure the allocation methodologies are in compliance with federal rules

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Monitoring Results

Monitoring efforts have identified instances of local government central services cost allocation plan issues including:

- mathematical errors;
- unallowable costs and
- allocation methods that do not meet federal standards

Many of these plans were prepared by accounting and consulting firms specializing in indirect cost rate negotiation

45

Monitoring Results and application

GATU and the On-site Monitoring workgroup are establishing conditions which will limit monitoring activities including:

- No issues identified in the monitoring review of the Central Services Cost Allocation Plan or the Indirect Cost Rate Plan
- No material adjustments
- Results of a Single Audit or On-Site Review (no findings regarding cost principles)
- No changes to the methodologies previously applied
- No major changes in staff or consultants

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Audit Report Review

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Audit Requirements

2 CFR 200.101 – Applicability

- ALL grants are subject to Subpart F - Audit Requirements

Grantee must procure or otherwise arrange for the audit per 2 CFR 200.509 *Auditor Selection*

Single Audit - grantees expending \$750,000 or more in federal awards (federal pass-through and direct federal funds) must have an audit conducted in accordance with 2 CFR 200.514 or 507

- For-profit grantees are required to have a Program Audit conducted in accordance with 2 CFR 200.507

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Audit Requirements – GAGAS and GAAS

Generally Accepted Government Audit Standards (GAGAS) Audit

- Required of grantees, including for-profits, not subject to a single audit that expend \$500,000 or more in state, direct federal and/or federal pass-through funds

Generally Accepted Auditing Standards (GAAS) Audit

- Required of grantees, including for-profits, not subject to either a single audit or a GAGAS audit but expend \$300,000 or more in state, direct federal and/or federal pass-through funds

If an audit is required by any regulatory authority it must be submitted

- Publicly traded for-profit companies, LEAs, Municipalities that operate a public utility

If an audit is not required but is completed, it must be submitted

- Voluntary audits conducted as part of good financial management

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Audit Report Review Process Manual

GATU, with the assistance of the Audit Workgroup, has drafted a manual detailing:

- Audit report review process,
- Audit requirements,
- Roles and responsibilities, and
- Step-by-step instructions

Training on the Audit Report Review Process Manual has been provided for state agency and grantees

The manual and webinars are on the GATA website:

www.grants.Illinois.gov

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Grantee Portal – Audit Certification Form

Reminder notification will be sent:

- Grantee FYE + 30 days
- Grantee FYE + 60 days

Once submitted, ARRMS will calculate due date for remaining steps

- Single Audit due date = grantee FYE + 9 months (or FAC Accepted date + 30 days)
- Financial Statement Audit due date = grantee FYE + 6 months
- CYEFR only submission = grantee FYE + 6 months
- If Audit Certification is not submitted by due date, financial statement audit due date is calculated

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Grantee Portal - CYEFR

Step 2 - Consolidated Year-End Financial Report

The consolidated year-end financial report (CYEFR) is a breakout of all spending by program and expense category. Every dollar expended in your organization's fiscal year must be reflected in this report.

Consolidated Year-End Financial Report

Reminder notification through Grantee Portal 45 days prior to due date if Audit Certification Form has been submitted.

Must tie to the organization's total expenditures in the audited financial statements and SEFA (if applicable)

52

Grantee Portal – CYEFR Expenditures

CYEFER has three sections:

- Expenditures of grant funding received from State (State and Federal pass-through funds) #1 below
- Expenditures of other grant funding received (direct federal, federal pass-through from other sources and other sources) #2 below
- Expenditures not related to grants (all sources) #3 below

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Grantee Portal – CYEFR Programs

Expenditures of grant funding received from State (State and Federal pass-through funds)

- CYEFR is pre-populated with program data from the CSFA.
- If a program is not pre-populated. Grantee must add the program by:
 - Clicking 'Add a Program' (#4 in screen shot below);
 - Using the drop down menu to select the State agency providing the funding (State and Federal pass through funds);
 - Using the drop down menu to select the CSFA # of the funding received; and
 - Identifying Program Limitations, Mandatory Match and Indirect Cost Rate

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Grantee Portal – CYEFR Prepopulated

Illinois Grant Accountability and Transparency Act
Grantee Portal - Audit Consolidated Year-End Financial Report

[Grantee Portal](#) / [Audit Reviews](#) / [Audit](#) / [CYEFR](#)

[Add a Program](#) [Certify & Submit](#)

	CSFA #	Program Name	\$ State	\$ Federal	\$ Other	\$ Total
View	201-01-0471	State Court Improvement Program	0	0		0
View	444-00-0206	Child Support Enforcement	0	0		0
View	692-00-0470	Improving Teacher Quality State Grants	0	0		0
View		Other grant programs and activities		0	0	0
View		All other costs not allocated			0	0
Totals:			0	0	0	0

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Grantee Portal – Add a Program

Illinois Grant Accountability and Transparency Act
Grantee Portal - Audit Consolidated Year-End Financial Report

[Grantee Portal](#) / [Audit Reviews](#) / [Audit](#) / [CYEFR](#)

Select the State Agency and the Program to add to this CYEFR. Then click the "Add Program" button below.

State Agency:

State Program:

[Cancel](#) [Add Program](#)

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Grantee Portal – Program Details

**Illinois Grant Accountability and Transparency Act
Grantee Portal - Audit Consolidated Year-End Financial Report**

[Grantee Portal](#) / [Audit Reviews](#) / [Audit](#) / [CYEFR](#) / Program

Agency	Supreme Court (201)
Program	State Court Improvement Program (201-01-0471) <i>This program as added due to awards found in the CSFA. It cannot be removed.</i>
Program Limitations	<input type="radio"/> Yes <input checked="" type="radio"/> No Identify Limitations (required if Yes) <input type="text"/>
Mandatory Match %	<input type="radio"/> Yes <input checked="" type="radio"/> No Rate (required if Yes): <input type="text"/>
Indirect Cost Rate	<input type="text" value="0.00"/> %
Indirect Cost Rate Base	<input type="text"/>

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Grantee Portal – Entering Expenditures

**Illinois Grant Accountability and Transparency Act
Grantee Portal - Audit Consolidated Year-End Financial Report**

[Grantee Portal](#) / [Audit Reviews](#) / [Audit](#) / [CYEFR](#)

	CSFA #	Program Name	\$ State	\$ Federal	\$ Other	\$ Total
<input type="button" value="View"/>	201-01-0471	State Court Improvement Program	0	0		0
<input type="button" value="View"/>	444-00-0206	Child Support Enforcement	0	0		0

- Select 'View' next to the appropriate CSFA program to enter the expenditures.
- Enter the expenditures for each CSFA # by correct line item in the correct "State", "Federal" (Federal pass-through) or "Match" column
- Improvement coming to the CYEFR – Remove line item State/Federal/Match and only report the breakout on the total amount

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Grantee Portal – Entering CSFA Program Expenditures by Line Item

Category	State Amount	Federal Amount	Match Amount	Total
Personal Services (Salaries and Wages)	1.00	2.00	3.00	6.00
Fringe Benefits	4.00	5.00	6.00	15.00
Travel	7.00	8.00	9.00	24.00
Equipment	10.00	11.00	12.00	33.00
Supplies	13.00	14.00	15.00	42.00
Contractual Services	16.00	17.00	18.00	51.00
Consultant (Professional Services)	19.00	20.00	21.00	60.00
Construction	22.00	23.00	24.00	69.00
Occupancy - Rent and Utilities	25.00	26.00	27.00	78.00
Research and Development	28.00	29.00	30.00	87.00
Telecommunications	31.00	32.00	33.00	96.00
Training and Education	34.00	35.00	36.00	105.00
Direct Administrative Costs	37.00	38.00	39.00	114.00
Miscellaneous Costs	40.00	41.00	42.00	123.00
Total Direct Expenses	287.00	301.00	315.00	903.00
Indirect Costs	43.00	44.00	45.00	132.00
Total Expenses	330.00	345.00	360.00	1,035.00

Cancel Save

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Grantee Portal – Other Grant Programs & Activities

	View	692-00-0470	Improving Teacher Quality State Grants	0	0	0
	View		Other grant programs and activities	0	0	3
			All other costs not allocated	0	0	

- Enter the expenditures either by line other or lump sum in the correct “Direct Federal” or “Other” funding column
 - “Direct Federal” funding column should also include Federal pass-through funding received from sources other than a State of Illinois grant-making agency

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Grantee Portal – Other Grant Programs & Activities Expenditures

**Illinois Grant Accountability and Transparency Act
Grantee Portal - Audit Consolidated Year-End Financial Report**


Grantee Portal / Audit Reviews / Audit / CYEFR / Program

Cancel Save

Program Other grant programs and activities


Category	Direct Federal	Other Amount	Total
Personal Services (Salaries and Wages)	0.00	0.00	0.00
Fringe Benefits	0.00	0.00	0.00
Travel	0.00	0.00	0.00
Equipment	0.00	0.00	0.00
Supplies	0.00	0.00	0.00
Contractual Services	0.00	0.00	0.00
Consultant (Professional Services)	0.00	0.00	0.00
Construction	0.00	0.00	0.00
Occupancy - Rent and Utilities	0.00	0.00	0.00
Research and Development	0.00	0.00	0.00
Telecommunications	0.00	0.00	0.00
Training and Education	0.00	0.00	0.00
Direct Administrative Costs	0.00	0.00	0.00
Miscellaneous Costs	0.00	0.00	0.00
Total Direct Expenses	0.00	0.00	0.00



Cancel Save



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Grantee Portal – All Other Costs Not Allocated

	View	Other grant programs and activities	0	0	0	3
	View	All other costs not allocated		0	0	
		Totals:	0	0	0	0

Enter the expenditures either by line other or lump sum in the “Other” funding column

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Grantee Portal – All Other Costs Not Allocated

**Illinois Grant Accountability and Transparency Act
Grantee Portal - Audit Consolidated Year-End Financial Report**

[Grantee Portal](#) / [Audit Reviews](#) / [Audit](#) / [CYEFR](#) / [Program](#)

Program

Category	Other Amount
Personal Services (Salaries and Wages)	<input type="text" value="0.00"/>
Fringe Benefits	<input type="text" value="0.00"/>
Travel	<input type="text" value="0.00"/>
Equipment	<input type="text" value="0.00"/>
Supplies	<input type="text" value="0.00"/>
Contractual Services	<input type="text" value="0.00"/>
Consultant (Professional Services)	<input type="text" value="0.00"/>
Construction	<input type="text" value="0.00"/>
Occupancy - Rent and Utilities	<input type="text" value="0.00"/>
Research and Development	<input type="text" value="0.00"/>
Telecommunications	<input type="text" value="0.00"/>
Training and Education	<input type="text" value="0.00"/>
Direct Administrative Costs	<input type="text" value="0.00"/>
Miscellaneous Costs	<input type="text" value="0.00"/>
Total Direct Expenses	0.00



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Grantee Portal – Certify & Submit the CYEFR

**Illinois Grant Accountability and Transparency Act
Grantee Portal - Audit Consolidated Year-End Financial Report**

[Grantee Portal](#) / [Audit Reviews](#) / [Audit](#) / [CYEFR](#)

GRANTEE CERTIFICATION (2 CFR 200.415)
By signing and submitting this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the [related] expenditures, disbursements and cash receipts are for the purposes and objectives set forth in the terms and conditions of the award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact, may subject me to criminal, civil or administrative penalties for fraud, false statements, false claims or otherwise. (U.S. Code Title 18, Section 1001 and Title 31, Sections 3729-3730 and 3801-3812).

Authorized Grantee Representative

Name: **Title:**

Email: **Phone:**

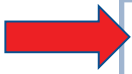
64

Grantee Portal – CYEFR Reports

Illinois Grant Accountability and Transparency Act
Grantee Portal - Audit Consolidated Year-End Financial Report

[Grantee Portal](#) / [Audit Reviews](#) / [Audit](#) / CYEFR

The CYEFR has been submitted. If changes are needed, contact your state cognizant agency.

 [PDF Report](#) [Excel Report](#)

	CSFA #	Program Name	\$ State	\$ Federal	\$ Other	\$ Total
View	201-01-0471	State Court Improvement Program	123	456	789	1,368
View	350-00-0012	Performance and Registration Information Systems Management	0	750,000	3,000	753,000
View		Other grant programs and activities		500,123	0	500,123
View		All other costs not allocated			321	321
Totals:			123	1,250,579	4,110	1,254,812

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Grantee Portal – Upload Audit Package

Submission of the CYEFR unlocks Step 3 – Upload File Requirements

Step 3 - Upload File Requirements

Based on the audit certification form submitted, this organization is required to have a financial statement audit conducted in accordance with **Generally Accepted Government Auditing Standards (GAGAS)**. Upon completion of the audit the following files are required to be uploaded...

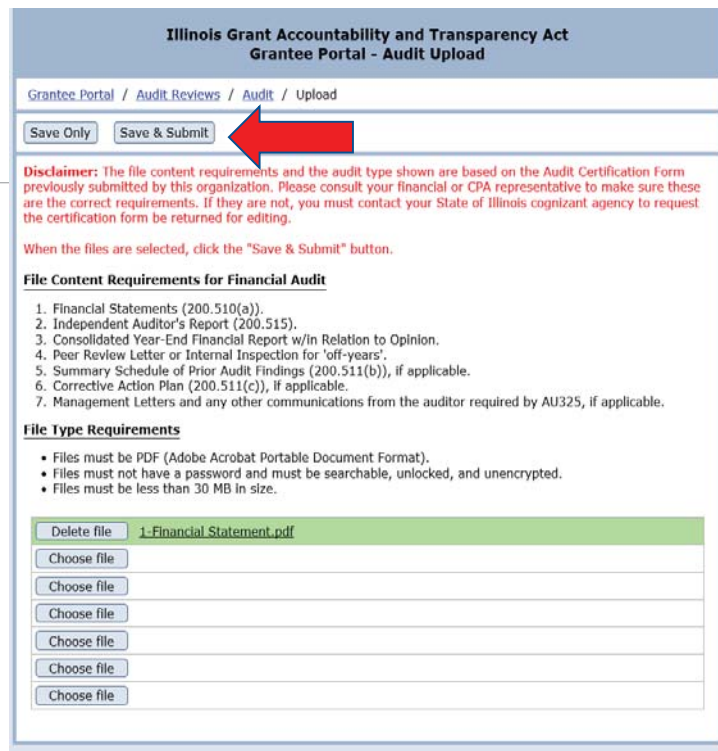
- Financial Statements (200.510(a)).
- Independent Auditor's Report (200.515).
- Consolidated Year-End Financial Report w/in Relation to Opinion.
- Audit Firm's Peer Review Letter.
- Summary Schedule of Prior Audit Findings (200.511(b)), if applicable.
- Corrective Action Plan (200.511(c)), if applicable.
- Management Letters and any other communications from the auditor required by AU325, if applicable.

[Upload Requirements](#)

Due: 12/30/2018

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Grantee Portal – Upload Audit Package



**Illinois Grant Accountability and Transparency Act
Grantee Portal - Audit Upload**

Grantee Portal / Audit Reviews / Audit / Upload

Save Only Save & Submit

Disclaimer: The file content requirements and the audit type shown are based on the Audit Certification Form previously submitted by this organization. Please consult your financial or CPA representative to make sure these are the correct requirements. If they are not, you must contact your State of Illinois cognizant agency to request the certification form be returned for editing.

When the files are selected, click the "Save & Submit" button.

File Content Requirements for Financial Audit

1. Financial Statements (200.510(a)).
2. Independent Auditor's Report (200.515).
3. Consolidated Year-End Financial Report w/in Relation to Opinion.
4. Peer Review Letter or Internal Inspection for 'off-years'.
5. Summary Schedule of Prior Audit Findings (200.511(b)), if applicable.
6. Corrective Action Plan (200.511(c)), if applicable.
7. Management Letters and any other communications from the auditor required by AU325, if applicable.

File Type Requirements

- Files must be PDF (Adobe Acrobat Portable Document Format).
- Files must not have a password and must be searchable, unlocked, and unencrypted.
- Files must be less than 30 MB in size.

Delete file	1-Financial Statement.pdf
Choose file	
Choose file	
Choose file	
Choose file	
Choose file	
Choose file	

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Grantee Portal – State Data Collection Form

Upload of the Audit Package unlocks Step 4 – Data Collection Form



Step 4 - Data Collection Form

The data collection form gathers information about the audit. It is used to search, filter and route the audit through the review process. It is due immediately after the audit package upload.

Data Collection Form

Single Audits and Program Audits

- Auto populated and submitted with data from FAC Data Collection Form

GAGAS and GAAS Audits

- Grantee must complete

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Grantee Portal – State Data Collection Form

**Illinois Grant Accountability and Transparency Act
Grantee Portal - Data Collection Form**

Grantee Portal / Audit Reviews / Audit / Data Collection Form

Submit Edit

CPA Firm Information

CPA Firm Name

CPA FEIN

CPA Address

Address 1:
Address 2:
City: State: IL Zip: 62706

CPA Contact

Name: Title:
Email: Phone:

Date Signed By CPA

Multiple CPAs No

Grantee Information

Enter the FEIN numbers of the organizations covered by this audit

Enter the DUNS numbers of the organizations covered by this audit

Audit Package Information

Was this audit prepared in accordance with generally accepted accounting principles (GAAP)?

Yes

What was the auditor's opinion on the financial statements?

Unmodified opinion;

Is a "going concern" emphasis-of-matter paragraph included in the audit report?

No

Is a significant deficiency in internal control disclosed?

No

Is a material weakness in internal control disclosed?

No

Is a material weakness or significant deficiency disclosed in the Management Letter (AU325)?

No

Submit Edit

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Grantee Portal

Data Collection Form

Step 5 - Management Decision Letter

Once the audit review process is complete you will be able to view the Management Decision Letter here.

Once the Audit Report Review process has been completed by the State Agency(ies), a Management Decision Letter is posted to the Grantee Portal.

Step 4 - Data Collection Form

Submitted: 05/10/2018 Data Collection Form

Step 5 - Management Decision Letter

[Management Decision Letter.pdf](#)

Please review the Management Decision Letter. This audit review record will be archived within 21 calendar days.

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Grantee Portal – State Agency Responsibilities

Reconcile the CYEFR for their agency

Accept/Reject Corrective Action Plan for findings that affect their agency's programs

Accept/Reject Corrective Action Plan for cross-cutting findings

- Findings that affect more than one State agency

State Cognizant Agency must issue the Management Decision Letter within 180 days of a complete audit package submission

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CYEFR 'In Relation To' Opinion

Audits of 12/31/18 and later FYE must include an 'In Relation To' opinion on the CYEFR

CYEFR must be completed in the Grantee Portal

- Use the PDF and Excel reports to provide to the auditors

AU Section 551 – Supplementary Information in Relation to the Financial Statements as a Whole

- Provides guidance to the auditors for proper preparation of an 'In Relation To' opinion
- Opinion can be an explanatory paragraph following the opinion paragraph in the auditor's report or can be a separate report

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Substandard Audits

Audit Report is reviewed for compliance with applicable auditing standards

- Pass
- Pass with Deficiencies
- Fail

Pass with Deficiencies and Fail determinations are reviewed by the Audit Committee

- Audit Committee members must be licensed CPAs with experience in conducting Single Audits and/or GAGAS audits

Audit Committee will determine the appropriate follow-up action

- Workpaper review of the audit firm
- Reporting to IL CPA Society, IL Department of Financial and Professional Regulations

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Common Errors/Issues

Audit Firm not qualified to conduct audits

CYEFR submitted with no expenditures recorded

State/Federal pass through funding not properly identified in the CYEFR

Peer and External Quality Control Reviews of the Audit Firm not submitted or only the AICPA acceptance letter is provided

Auditors not provided with the CYEFR

Auditors not knowing the requirements of an 'In Relation To' opinion

State agencies still requiring grantee's to complete the CFR

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Implementation

Grantees with fiscal year-end dates of 12/31/17 or later must use the Centralized Audit Report Review process

Grantees with fiscal year-end dates of 12/31/18 or later must include the 'in relation to' opinion for the CYEFR

Grantees should reach out to their cognizant agency for questions regarding the audit report review process. GATU can answer process questions, but state agencies must answer program specific questions (i.e. what is the state/federal split for my program, I can't find the CSFA number, what line items do I use to report the expenditures)

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Next Steps

- Centralization of grant compliance and monitoring units within large grant making agencies
- Enhance ICQ and Risk Assessment including development of a case management system for follow up on the corrective action plans for audit findings, on-site review monitoring and weaknesses identified in risk assessment
- Working on New Grant Specialist and Grant Management Titles
- Implementation of Statewide Grant Management System
- Implementation of Uniform Fiscal and Administrative On-Site Reviews
- Development of an case management system for Fiscal and Administrative On-Site Reviews
- Providing incentives for obtaining the Certified Grants Management Specialist Certification
- Purchase a Learning Management System to give CPE for GATA training
- Agency-wide and State-wide grant portfolio management

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GATA Challenges Continue

- Lack of qualified staff for fiscal and administrative duties
 - Indirect Cost Rate Negotiation Approval
 - Fiscal and Administrative Risk Assessment interpretation and assignment and removal of specific conditions
 - Audit Report Review – approval and follow up of corrective action plans for fiscal and administrative requirements
 - Indirect Cost Rate Negotiation
 - Audit Report Review
- Parent Child Relationships for both Audit Report Review Management System and the requirements for local government indirect cost rate negotiation

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Lessons Learned

- Removal of the Sunset Provision has created significant buy in from agencies
- GATA Ripple Effect – first time in Illinois history of a centralized statewide purview of grant portfolio and grant management
- More dialog with Leadership in the grant making agencies
- Number one complaint – agency staff unaware of 2 CFR 200 and GATA requirements
- Ensure proper titles with the education and skill set necessary to perform the required fiscal and administrative grant functions
- Engage Internal Audit in the process
- Never ever implement a Statewide initiative for grant reform in the midst of the longest budget impasse in the history of the state

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GATA Question?

omb.gata.gov



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It is GATA time.



GATA is Good Government

Landmark legislation

Sets the bar for grant accountability

Sets the bar for grant transparency

Win-win for government and grantee community

Improves performance outcomes

Reduces risk of fraud, waste, and abuse

Saves State agencies and grantees hundreds of millions of dollars

*Successful agency oversight and successful grantees
will result in a successful Illinois.*

80



Market Update

ANDREW KIM
DIRECTOR, PUBLIC FINANCE
PMA SECURITIES, INC.

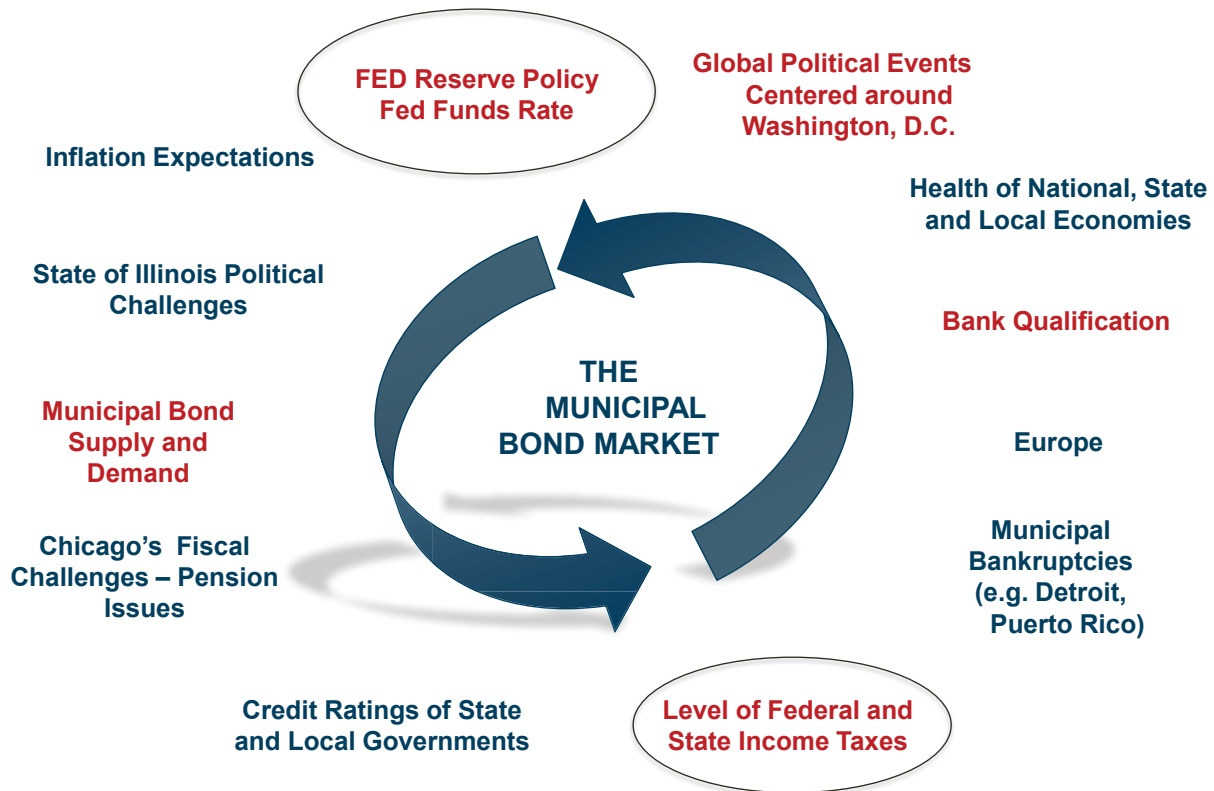
Federal Tax Law Changes – Impact on Municipal Bond Issues

STEPHEN ADAMS
DIRECTOR, PUBLIC FINANCE
PMA SECURITIES, INC.

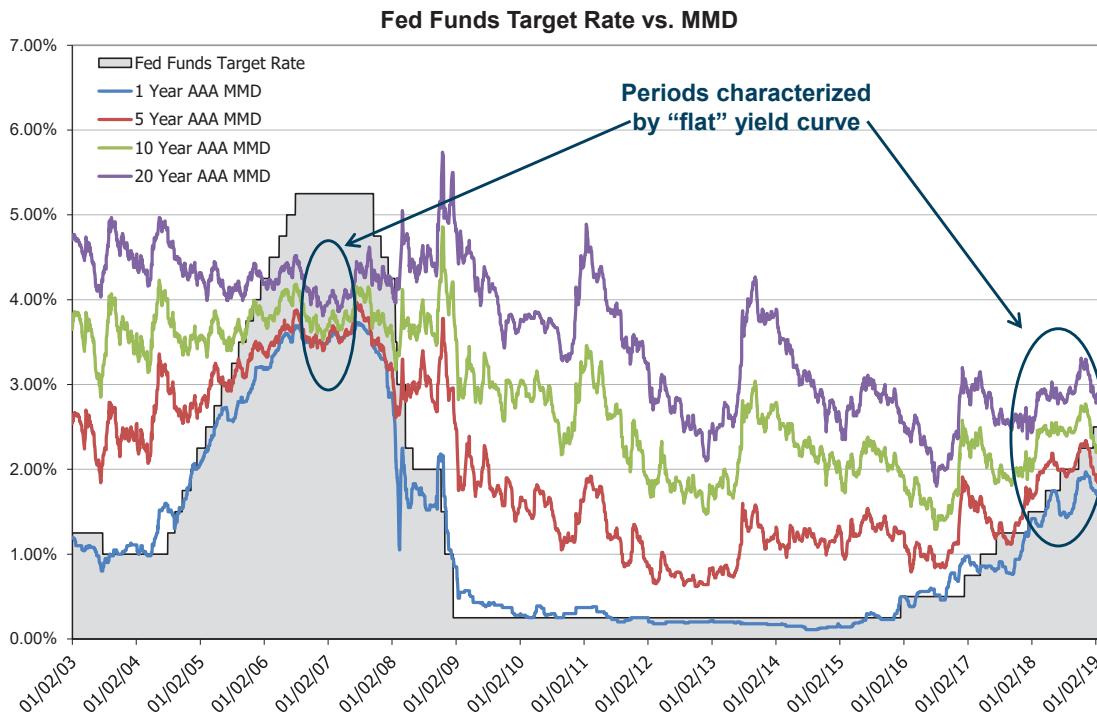
February 21, 2019



Market Update



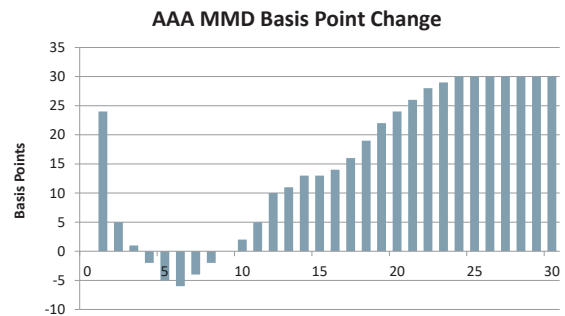
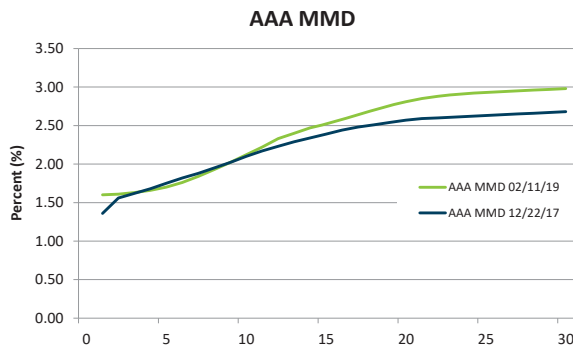
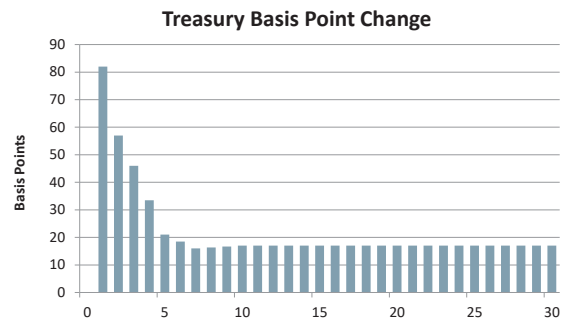
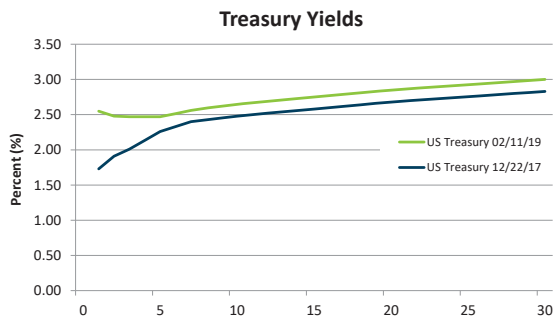
3



*The Municipal Market Data "MMD" is a AAA municipal bond market index produced by TM3. As of February 12, 2019.

Fed Funds Target Rate from U.S. Department of Treasury.

4

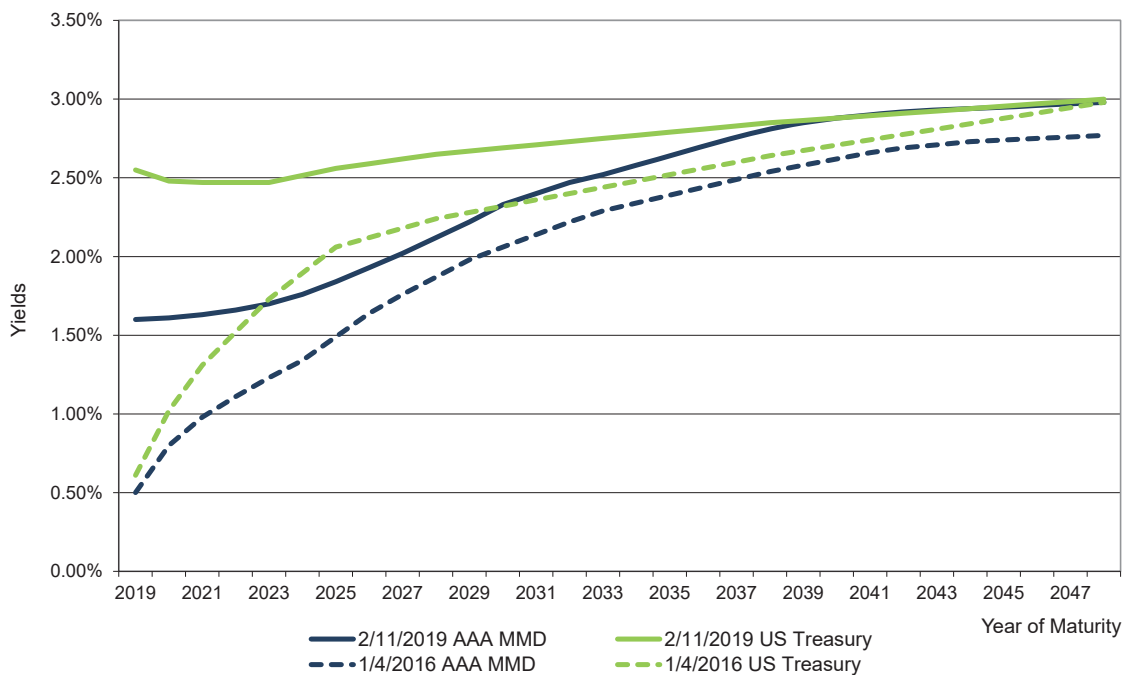


*The Municipal Market Data "MMD" is a AAA municipal bond market index produced by TM3.

Daily Treasury yield curve rates from www.treasury.gov.

5

**Tax-Exempt AAA MMD Curve vs.
Taxable US Treasury Curve**

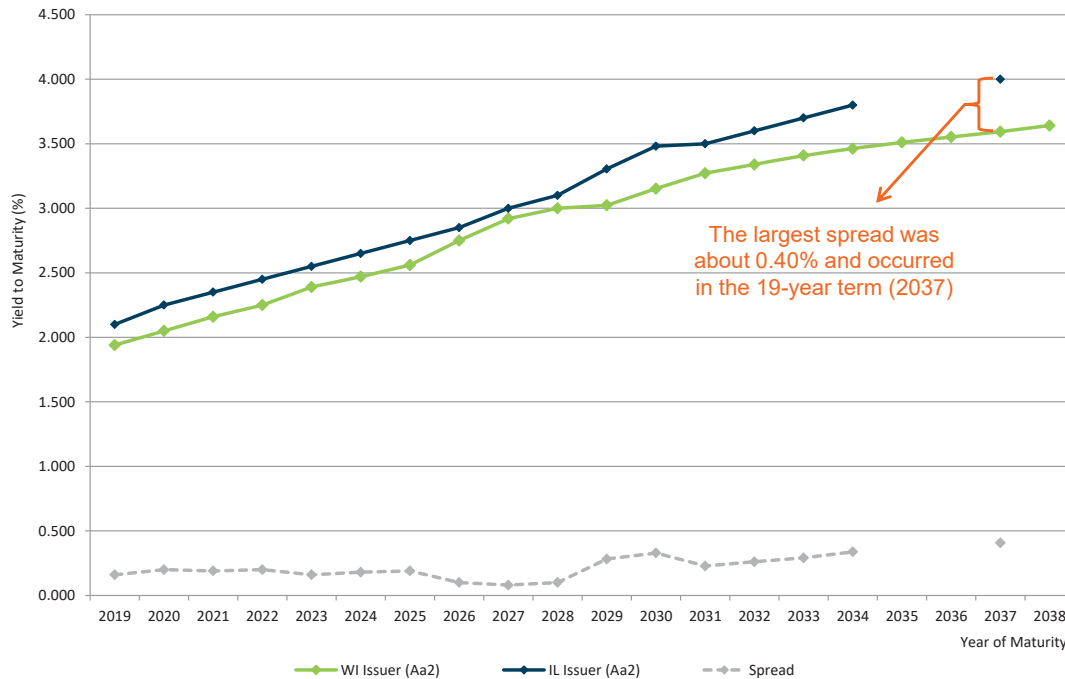


*The Municipal Market Data "MMD" is a AAA municipal bond market index produced by TM3.

Daily Treasury yield curve rates from www.treasury.gov.

6

Illinois Issue (Aa2) vs. Wisconsin Issue (Aa2) Non-Bank Qualified Bond Sale Comparison



*Highlighted transactions were sold in November 2018. Indicated yields and spreads take into account change in AAA MMD between the sale dates. Information is for illustrative purposes only and does not guarantee future results.

7

- Factors indicating continued economic growth
 - In US, 2018 experienced strong economic activity ⁽¹⁾
 - GDP growth rate expected to remain in ideal range (2-3%) ⁽²⁾
 - Unemployment remains at favorable level ⁽²⁾
 - Consumer spending remains robust (represents two-thirds of US economy) ⁽¹⁾
- Factors indicating economic growth is slowing ⁽¹⁾
 - Falling stock prices
 - Decrease in long-term interest rates
 - Flattening of yield curve
 - Falling inflationary expectations
 - Expiring impact of 2017 tax reform (Tax Cuts and Jobs Act of 2017)
 - Political instability regarding immigration policy and prospect of trade war with China
 - Several international markets (e.g., Europe, the UK, China) have been slowing since beginning of 2018

(1) "The Farr Review." Quarterly newsletter, no. 98, Farr Miller & Washington, January 2019. Retrieved from <https://fmwtestsite.files.wordpress.com/2019/01/farrview-january-2019.pdf> (accessed January 27, 2019)

(2) Amadeo, Kimberly. (2019, January 23). US Economic Outlook for 2019 and Beyond. Retrieved from <https://www.thebalance.com/us-economic-outlook-3305669> (accessed January 27, 2019)

8

- Expectations of Federal Reserve – Two main factors for Federal Reserve to consider ⁽¹⁾
 - Inflation is global phenomenon
 - China's rise to economic powerhouse
 - Current economic weakness outside US
 - Amount of debt accumulated in US raises concerns of deflation
 - Higher inflation makes debt more manageable (debt is repaid in devalued dollars)
 - Fed should counter amount of debt by erring on side of over-stimulating economy, not under-stimulating
 - Why is Fed reducing portfolio of Treasury bonds and raising interest rates when Treasury Department's funding needs are set to increase?

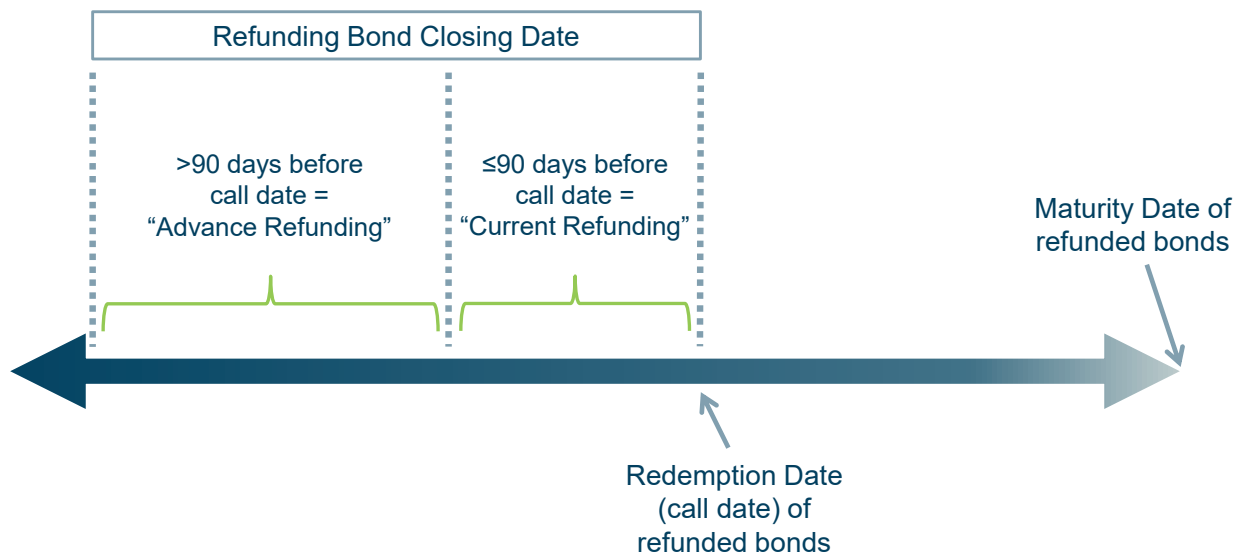
(1) "The Farr Review." Quarterly newsletter, no. 98, Farr Miller & Washington, January 2019. Retrieved from <https://fmwtestsite.files.wordpress.com/2019/01/farrview-january-2019.pdf> (accessed January 27, 2019)

Tax Cuts and Jobs Act of 2017

- Signed into law by the President on December 22, 2017
- The law enacted the following:
 - Preserved most tax-exempt private activity bonds (including qualified 501(c)(3) bonds and mortgage revenue bonds)
 - Repealed tax-credit bonds (including clean renewable energy bonds), effective Dec. 31, 2017
 - Preserved the sale of tax-exempt debt for financing professional sports stadiums
 - Repealed the use of tax exempt advance refundings, effective Dec. 31, 2017; no transition period provided

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- An advance refunding is a bond issue that closes more than 90 days before the redemption date on the refunded bonds



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To Refund Outstanding Bonds:

- Wait (until 90 days before call date)
- Advance Refund on Taxable basis
- Forward Settlement Tax-Exempt Current Refundings (within 90 days of call date), also known as a “rate lock”
- Taxable Convertible “Cinderella” Bonds
- Derivative Products (i.e., Swaps, Swaptions)

To Preserve Future Refunding Flexibility on Newly-Issued Bonds:

- Short Par Calls (under 9-10 years)
- Make Whole Calls
 - Call at any time based upon calculation
- Combine “Par Call” with “Make Whole”

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- One alternative available is a tax-exempt forward delivery refunding
 - The refunding bonds must close within 90 days of the call date in order to qualify as a current refunding, but the bonds could potentially be sold months in advance of the closing
 - Investor(s) would require a “forward premium” for the delayed delivery, which would depend on:
 - Number of months between the pricing date and the call date on the refunded bonds
 - Shape of the yield curve
 - Other factors

14

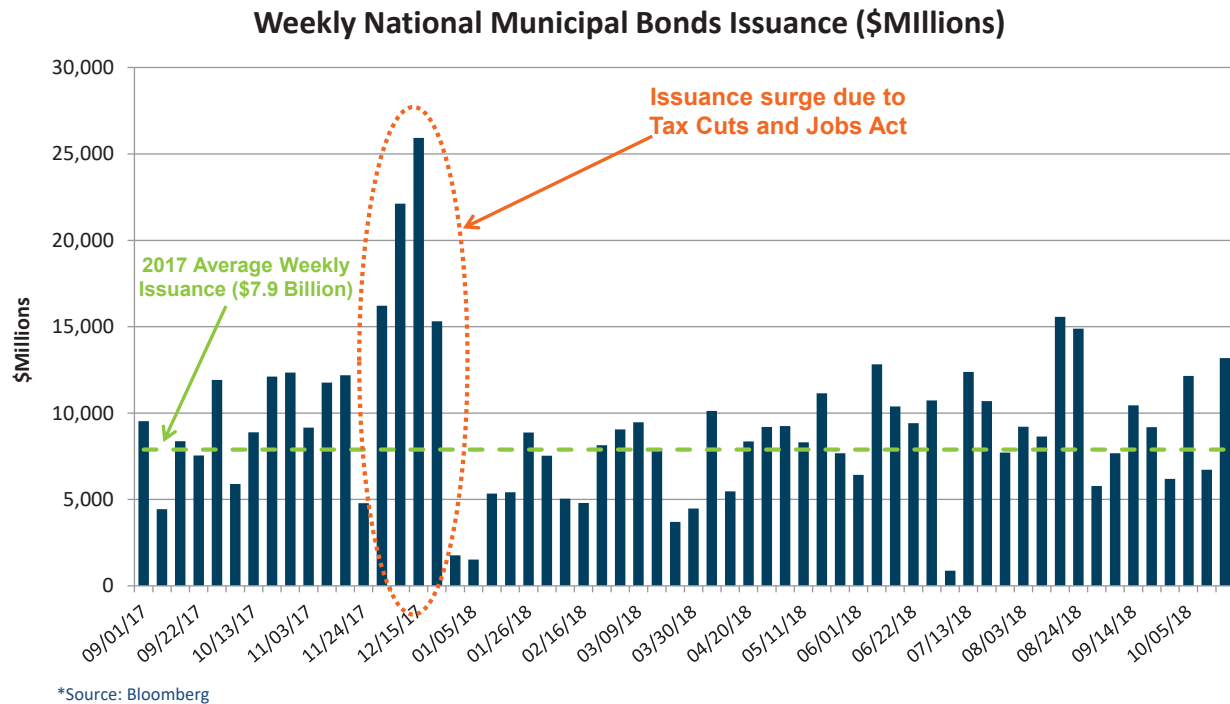
- Additionally, the law:
 - Repealed the Alternative Minimum Tax (“AMT”) for corporations, but it remains for individuals
 - Created 7 individual tax brackets- ranging from 10% to 37%
 - Aggregate of \$10,000 limit will apply to the deduction for state and local income, property and sales taxes
 - Interest deductible on mortgage loans of \$750,000 or lower
 - Reduced the Corporate Income Tax from 35% to 21%

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Effects of Tax Reform on the Muni Market

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- National municipal bond issuance has markedly decreased since tax reform was implemented



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- Corporate tax rates being reduced to 21% from 35% will make municipal bonds less attractive to insurance companies and banks
 - These buyers will be at higher relative yields, but still buyers
 - Their reduced participation, specifically in the belly of the curve, may likely result in some yield curve steepening
- Other municipal investors:
 - Individual Retail: Increased demand for tax-free munis due to the loss of various deductions
 - Professional Retail: Buy on behalf of individual investors
 - Arbitrage accounts: Ratio driven/opportunistic buyers who will be mindful of, but not beholden to, the new benchmark entry points of insurance companies and banks as that evolves from past norms
- *Was the reduction in municipal supply offset by the loss of participation by significant institutional investors?*

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- Bank private placements have traditionally been cost effective for several reasons:
 - Lower costs of issuance avoiding bond rating and preparation of formal offering document
 - Bank appetite for tax-exempt income
 - Bank qualification, which allows banks an extra tax benefit for purchasing the bonds of small issuers
- The lower tax rate on corporations (including banks) reduces demand for municipal bonds; in fact, many banks have stated that the returns they will demand are between .35% and .50% higher
- Depending on the size and length of maturity of the bond issue and the rating of the issuer, a public offering (competitive or negotiated sale) may result in more favorable results

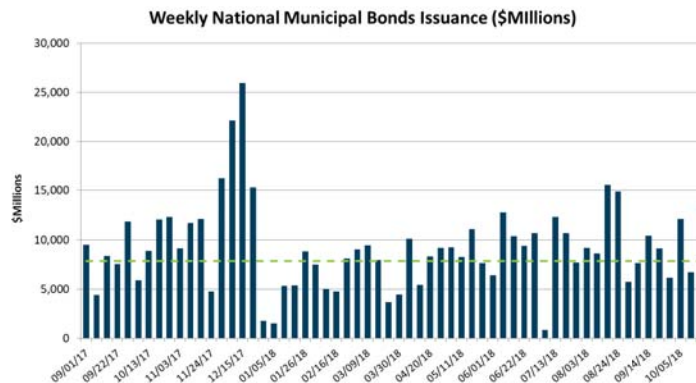
19

- Most municipal issuers saw increased cost in managing their debt capital structure
- Tools to potentially mitigate tax reform impact on advance refundings:
 - Forward Delivery Bonds – Cost is driven by the shape of the yield curve, but only has limited applications.
 - Shorter Calls – Not a demand issue as investors will buy at certain levels however, this optionality may be costly.
 - Taxable Bonds – Can be used to advance refund tax-exempt bonds, although more costly.
- Issuers will need to work with their municipal advisor to customize solutions which meet their financial goals, risk tolerances, etc.

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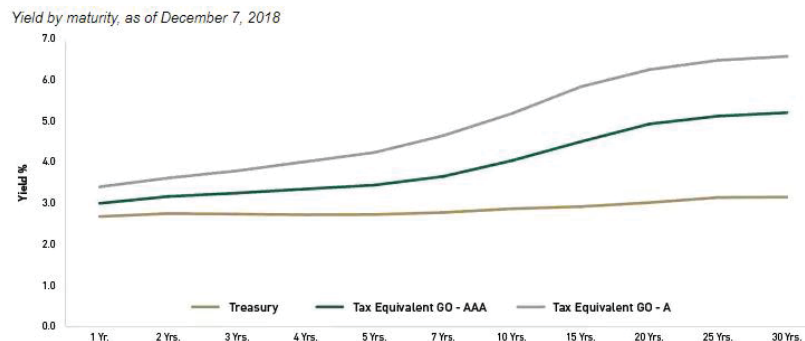
2018 Predictions vs. Reality

- Prediction
 - Lower Municipal Bond Supply
 - Both new money and refunding tax-exempt bonds
 - Projections were for less than \$300 billion in 2018
- Reality
 - New issue supply declined approximately 25% to \$338 billion
 - Refunding bond supply declined by 58%
 - New money bonds for capital projects increased by 16%



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- Prediction
 - Flattening Yield Curve Means Reduced Cost to Extend Debt
 - Promotes cost effective financing of long-term capital
 - Reduces cost of debt structuring for tax levy management
- Reality
 - Long Term Rates Increased During the Year
 - The municipal bond yield curve, in relation to US Treasury Bonds, is more positively sloped.
 - Most likely caused by the reduced demand from retail and institutional investors for bonds with longer maturities



Source: Bloomberg. Data as of December 7, 2018

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Municipal Bond Market Themes

- Market focus is on credit quality, defaults, increasing inflation, debt ceiling issues, and Fed activity
- Changes in tax rates have made mutual funds, not banks, the main driver of demand on the long end, pushing yields higher on that part of the yield curve
- The November elections most likely will have an impact on municipal interest rates*
 - Rep. Richard Neal (D-Mass), became the new chairman of House Ways and Means Committee
 - Rep. Neal has 16 years of experience in local government and strong proponent of tax-exempt bond financing

Broader Economic Themes

- As they have historically done, Treasury & Muni markets will likely continue to react to geopolitical events
- Regarding the Fed, increased short-term interest rates four times in 2018, as of January 30, 2019 they are being “patient as it determines what future adjustments...may be appropriate”. This is a step back from their December 2018 comments that they would need further gradual increases.

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Illinois Government Finance Officers Association

Learning • Connecting • Progressing

Anatomy of an Illinois City or Village Bond Issue – Steps Involved

Springfield, Illinois February 22, 2019

John Vezzetti
Vice President
Bernardi Securities, Inc.

Bob Vail
Sr. Vice President
Bernardi Securities, Inc.

Jim Snyder
Partner
Ice Miller LLP

Kathy Thomas
PGS-Municipal Disclosure
Administrator
Ice Miller LLP



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How an Illinois City or Village Can Issue Bonds

■ Determine the need for financing

- ☐ Project
- ☐ Working Capital
- ☐ Refinancing

TYPE OF DEBT	SECURITY	GENERAL REQUIREMENTS
General Obligation <i>Home Rule</i>	Full faith and credit; backed by the ad valorem taxing power of the Issuer.	No statutory debt limit and no need for voter approval to issue bonds. Flexibility. 40 Year maximum term.
General Obligation <i>Non-Home Rule</i>	Full faith and credit; backed by the ad valorem taxing power of the Issuer.	Referendum unless exception. Statutory debt limit of 8.625% of EAV. BINA hearing required. In tax capped counties, non-voted general obligation bonds may be issued as limited bonds payable from debt service extension base. Generally 20 year maximum term.
Alternate Revenue Bonds	"Double-barreled" – payable from a specific revenue source with the general obligation of the municipality serving as backup security.	Pledged revenues must meet coverage requirement of 1.25 times debt service. Backdoor referendum procedures and BINA hearing required. 40 year maximum term.
Debt Certificates	No separate tax levy backing; obligation is a promise to pay from lawfully available funds.	Borrow money by entering into installment contract agreement. No backdoor referendum or BINA hearing required. Statutory debt limit of 8.625% of EAV. 20 year maximum term.
Revenue	Specific revenue source.	Varies by type of revenue. Referendum and BINA hearing not required. 40 year maximum term.
Special Service Area	Full faith and credit of the taxable real property in the special service area.	Need hearings, notice and various other requirements. 30 year maximum term.
Tax Increment Finance Revenue	Future incremental property tax growth from project, TIF area or contiguous TIF district.	Validly created TIF; TIF eligible costs only.

■ Hire the “Players”

Professionals Involved in a Negotiated Municipal Bond Financing Transaction



*Participation depends upon type, size, and features of a transaction
Source: MSRB

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Players and Their Roles

■ Underwriter

- ❑ A bank, investment banking firm or broker-dealer that purchases the debt from the municipality in a competitive or negotiated transaction
- ❑ Assumes the risk of purchasing the bonds for re-sale to investors
- ❑ In a negotiated sale
 - Assists in structuring the debt
 - Assists the financial/municipal advisor and municipality with the rating preparation
 - Reviews bond documents
 - May be sole manager, senior manager, co-manager, or in a selling group
- ❑ In a competitive sale
 - Submits a bid based on the information presented in the Notice of Sale
 - Does not participate in preparing an issue for market

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Players and Their Roles

■ Municipality

- ☐ Main participant
- ☐ Generally responsible for the repayment of the debt

■ Financial/Municipal Advisor

- ☐ Represents the municipality in many debt issuances
- ☐ Works closely, and coordinates tasks, with the municipality, bond counsel and the other participants in a debt transaction
- ☐ Can be hired in both competitive and negotiated sales
- ☐ Prepares the financing plan, recommends method of sale, manages the transaction, coordinates the sale and closing, prepares the municipality for the rating process
- ☐ Not required by Dodd-Frank or other law
- ☐ Issuer decision on whether to hire municipal advisor

Players and Their Roles (cont'd)

■ Placement Agent

- ☐ A broker-dealer that acts as agent to place a new issue directly with investors
- ☐ May be used for small, risky, or more complex issues

■ Bond Counsel

■ Disclosure Counsel

■ Local Counsel

■ Underwriter's Counsel

Players and Their Roles (cont'd)

■ Bond Registrar

- ☐ Bank that is responsible for maintaining records of the owners of the registered bonds

■ Paying Agent

- ☐ Bank that is responsible for transmitting payment of principal and interest from a municipality to the holder of the security
- ☐ Typically the paying agent and the bond registrar are the same entity, but they do not have to be

■ Escrow Agent

- ☐ Bank that holds in escrow the securities purchased in a refunding issue or holds tax levy money pursuant to a tax depository agreement

Players and Their Roles (cont'd)

■ Rating Agency

- ☐ A company that provides ratings which indicate the relative credit quality or liquidity characteristics of a debt issue
- ☐ Moody's Investors Service, Standard & Poor's, Fitch Ratings, and Kroll Bond Rating Agency are the agencies which provide ratings on municipal debt issues
- ☐ Requires certain information from the municipality in order to conduct its analysis – audits, budgets, strategic plans, etc.

Players and Their Roles (cont'd)

■ Bond Insurance Company

- ❑ Issues a bond insurance policy that guarantees the payment of principal and interest to the holders of the security
- ❑ Assured Guaranty and Build America Mutual are the only bond insurers currently in existence with investment grade ratings from the rating agencies
 - AGM's financial strength is rated "AA" (stable outlook) by S&P, "AA+" (stable outlook) by Kroll and "A2" by Moody's
 - AGC requested that Moody's withdraw its financial strength ratings of AGC and AGUK in January 2017, but Moody's declined that request. Moody's continues to rate AGC and AGUK.
 - BAM's financial strength is rated "AA/Stable" by S&P
- ❑ Reduces interest cost to municipalities
- ❑ Provides security to investors
- ❑ Provides higher rating to a municipality than could be achieved on its own
- ❑ This industry has changed drastically in recent years

Players and Their Roles (cont'd)

■ Depository Trust and Clearance Corporation – DTCC

- ❑ DTCC, through its subsidiaries, provides clearing, settlement and information services for equities, corporate and municipal bonds, government and mortgage-backed securities, money market instruments and over-the-counter derivatives
- ❑ Certain documents from most municipal debt issues must be submitted to DTCC in order to close the transaction
- ❑ Serves as a central location or depository where bonds or certificates are maintained
- ❑ Changes of ownership using "book-entry" accounting methods where no certificates actually change hands are recorded in a central location

Sample Timeline

■ General Obligation Bonds

- ☐ Debt limit
 - Cities/villages - 8.625%
 - Counties - 2.875% (non-voted debt)
 - 5.750% (voted and non-voted debt)
- ☐ BINA hearing
- ☐ Adopt bond ordinance
- ☐ Close/Fund

■ Alternate Revenue Bonds (not subject to debt limit)

- ☐ Adopt authorizing ordinance
- ☐ Publish authorizing ordinance and notice of intent
- ☐ Wait 30 days
- ☐ BINA hearing
- ☐ Adopt bond ordinance
- ☐ Close/Fund

Sample Timetable (cont'd)

■ Voted Bonds

- ☐ Adopt referendum ordinance
- ☐ Publish and post election notice
- ☐ Pass with majority vote of taxpayers
- ☐ Adopt bond ordinance
- ☐ Close/Fund

Official Statement Preparation

- Review term sheet and timeline provided by the municipal advisor or underwriter
 - ☐ It will have the amount and type of issue and appropriate legal authorizations required, and relevant due dates
- Review relevant ordinances for current and prior deal specifics
- Research outstanding debt for the issuer, and determine debt capacity, if a non-home rule issuer
 - ☐ Information found in the issuer's audit, on EMMA at <https://emma.msrb.org/> or on the State Comptroller's website at <http://warehouse.illinoiscomptroller.com/FilteredSearching.cfm?SearchType=AFRSearch>

- Review issuer's website to gather as much needed information as possible
- Request issuer specific information from the issuer early in the process – review issuer's website and audits first
- Conduct on-line research on required relevant data
 - ☐ Websites reviewed
 - U.S. Census at <https://factfinder.census.gov/faces/nav/jsf/pages/index.xhtml> for population, employment categories, income, and home values

- Illinois Department of Employment Security for unemployment rates at http://www.ides.illinois.gov/lmi/pages/local_area_unemployment_statistics.aspx
- County research - County Clerk's, Treasurer's, and Assessor's websites for equalized assessed values, tax rates, tax collections and extensions, large taxpayers

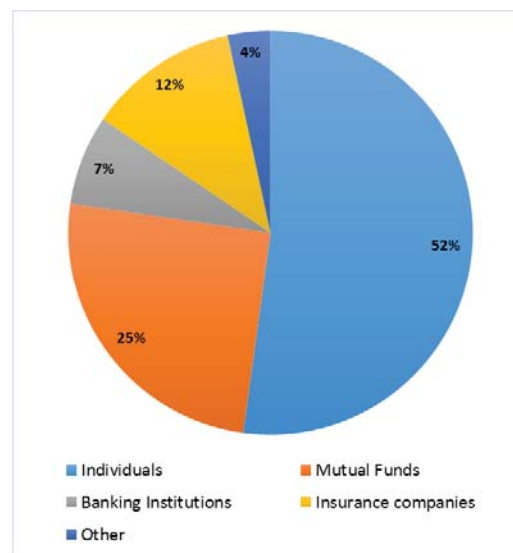
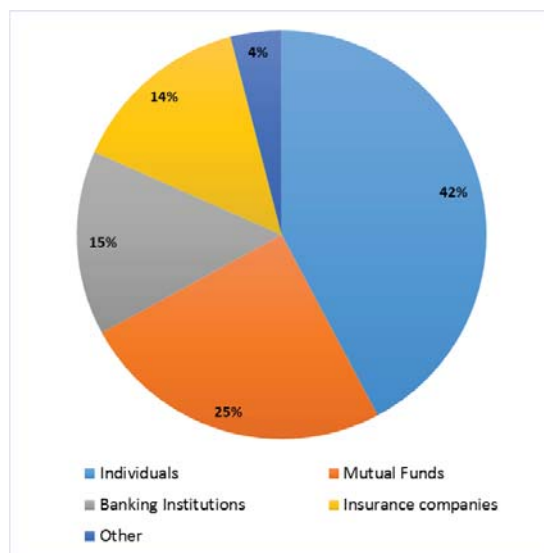
■ Once initial draft of the official statement is completed, send to attorneys internally for review and input on legal matters

- ☐ After initial draft has been thoroughly reviewed by attorneys, it is sent to the issuer and others on the team for their review
 - Multiple drafts may be required
- ☐ **It is very important for the issuer to do its own thorough review of the document as in the end, it is their responsibility for its accuracy**
- ☐ Issuer provides assurances in the due diligence call that it has reviewed it

- A two-week turn around for the initial draft is generally preferred
- Continuing disclosure review conducted, does not have to be done prior to sending out initial draft
- **Final Official Statement prepared**
 - ☐ Once the issue has priced, the final official statement is prepared and sent out for review by the issuer and bond team
 - ☐ Once everyone signs off, the final official statement is made into a PDF and sent to the underwriter/purchaser for posting on EMMA

Municipal Bond Investors

- Investors in 2018 - 3rd Qtr.
- Investors in 2008



Source: Securities Industry and Financial Markets Association

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Why Investors Buy Municipal Bonds

- Investors buy municipal bonds for other reasons besides yield, primarily safety.
- Some municipalities are rated higher than the U.S. Government (S&P “AA+”) – for example Northbrook, Illinois (S&P “AAA”).
- Municipal Bonds Low Default Rates – Moody’s report “US Municipal Bond Defaults and Recoveries, 1970-2016”:
 - 10-Years after being rated “Aaa”:
 - Municipal Bond Default Rate: 0.00%
 - Corporate Bond Default Rate: 0.38%
 - 10-Years after being rated “Baa3 to Baa1”:
 - Municipal Bond Default Rate: 0.40%
 - Corporate Bond Default Rate: 3.93%
- BSI has recent seen increased investor demand:
 - Investors have become wary of stock market volatility
 - Fear economic cycle is in later stages

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Marketing a Municipal Bond Issue

- Typical marketing period takes 3 to 5 days depending on the complexity of the issue:
 - Presale Announcement:
 - 3 to 5 days before the underwriting period.
 - Preliminary Official Statement sent to potential investors so they are aware of the upcoming issue and put on their calendars.
 - Preliminary Pricing:
 - Preliminary pricing information sent the day before underwriting.
 - Used to gather indications of interest and set preliminary pricing levels.
 - Official Pricing:
 - Specific order period is set to gather orders on the bonds.
 - After the order period, yield scale is adjusted depending on the strength/weakness of orders.
 - Scale is finalized and Bond Purchase Agreement is executed.

Marketing Specifics – Local Investors

- Marketing Focus on Local Investors
 - To anchor the issuance and provide strong pricing levels.
 - No different than an anchor tenant for a real estate project (e.g. grocery store).
- Illinois Penalty (State of Illinois rated S&P “BBB-”)
 - Poor reputation from a credit perspective, especially from out-of-state, unfamiliar investors.
 - Even though an issuer is well run and fiscally sound, investors look for higher yields because they are located in Illinois.
- Targeting Local Investors
 - Utilizing bond underwriter’s local investor database and portfolio management book of business.
 - Other marketing strategies, including:
 - Local Investor Seminars
 - Ad in local newspapers
 - Postcard Mailings to local residents

Marketing - Example of Postcard Mailing

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US
POSTAGE

Local Issuer, IL has hired Bernardi Securities to underwrite new tax exempt bonds*.

To invest in bonds from this local underwriting or learn more about the offering, contact **Bernardi Securities**:

312-281-2015

matt.bernardi@bernardisecurities.com

* Securities described as tax-free or tax-exempt imply that the income is exempt from current federal income tax. These securities may be subject to state and local taxes, the federal alternative minimum tax (AMT), capital gains tax, or other taxes.

New Municipal Bond Issue Local Issuer, IL

www.bernardisecurities.com
312-281-2015

Local Issuer Resident
123 Main St.
Local Issuer, IL 12345

BERNARDISECURITIES
MUNICIPAL BOND SPECIALISTS

IceMiller
LEGAL COUNSEL

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Closing

BERNARDISECURITIES
MUNICIPAL BOND SPECIALISTS

January 24, 2019

Mr. George Bailey, Mayor
City of Bedford Falls
800 W. Erie St.
Bedford Falls, NY 55555

Re: \$5,000,000 General Obligation Bonds, Series 2019

Dear Mr. Bailey:

On February 28, 2019, when the above referenced issue closes Bernardi Securities, Inc. will disburse Bond proceeds of \$4,999,000.00 as follows:

We will instruct Henry F. Potter to wire funds in the amount of \$4,994,000.00 for deposit into the City's Project Fund to:

Bedford Falls Trust and Savings
ABA #: _____
Acct. #: _____
Account Name: Potter's Field
Contact: Henry F. Potter, (123) 456-7890

Henry F. Potter will also issue the following checks:

\$1,000.00	(Bond Counsel)
1,000.00	(Disclosure Counsel)
1,000.00	(Paying and Escrow Agent/Registrar)
1,000.00	(DTC / Book-Entry Setup)
1,000.00	(Bond Numbering)
\$ 5,000.00	Total

Mr. Bailey
Page 3 - Series 2019
February 22, 2019

Bond Proceeds:	
Bond Proceeds (Par Amount of Bonds less Underwriter's Discount)	\$4,999,000.00
Total Bond Proceeds:	\$4,999,000.00

Disbursements:	
(Project Fund)	\$4,994,000.00
(Bond Counsel)	1,000.00
(Disclosure Counsel)	1,000.00
(Paying and Escrow Agent/Registrar)	1,000.00
(DTC / Book-Entry Setup)	1,000.00
(Bond Numbering)	1,000.00
Total Disbursements:	\$4,999,000.00

It's been a pleasure working with you. Please do not hesitate to call me at (815) 587-8972 if you have any questions or if there are any discrepancies.

Most Sincerely,
BERNARDI SECURITIES, INC.

John M. Vanzetti
Vice President

BERNARDISECURITIES
MUNICIPAL BOND SPECIALISTS

IceMiller
LEGAL COUNSEL

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Legal Roles

■ Bond Counsel

- ❑ Law firm retained by the municipality to give a legal opinion stating that the municipality is authorized to issue the proposed debt, and that the municipality has met all legal requirements necessary for the issuance of the debt
- ❑ Provides a legal opinion that the debt is a legal, valid, and binding obligation of the municipality
- ❑ Provides a legal opinion as to the federal tax status of the interest on the debt – tax-exempt or taxable – and, where applicable, as to state and local taxation
- ❑ Prepares authorizing ordinances, bond ordinances, trust indentures, and other legal proceedings of an issue
- ❑ Represents the municipality but also drafts bond documents

Legal Roles (cont'd)

■ Disclosure Counsel

- ❑ Prepares all necessary legal documents required for the marketing of the bonds to the public.
- ❑ Conducts due diligence and reviews relevant municipal disclosure information.
- ❑ Provides disclosure statement (10b-5 Statement).
- ❑ The SEC has intensified its regulation of municipal bond transactions in recent years. For example, its MCDC Initiative targeted Issuers who failed to comply with disclosure obligations. As part of its enforcement, the SEC has imposed numerous fines on municipalities and their employees and officers, and in a recent case a municipal official was sentenced to prison for misleading investors. The federal government takes municipal bond disclosure obligations very seriously and, therefore, Issuers must also. One way the Issuer can demonstrate this is to hire disclosure counsel to draft, or at a minimum, review, the official statement and provide other disclosure and due diligence services.

Legal Roles (cont'd)

■ Local Counsel

- ☐ Represents the municipality
- ☐ May be on staff, or brought into the transaction for a specific issue – i.e. in-house attorney is not familiar with the transaction
- ☐ Involvement varies depending on desire of municipality

■ Underwriter's Counsel

- ☐ Typically retained by the underwriter in a negotiated transaction
- ☐ Represents the underwriter
- ☐ Prepares the agreement among underwriters when more than one underwriter is part of the financing team
- ☐ Often conducts due diligence as requested by the underwriter – reviews relevant municipality disclosure information
- ☐ Reviews the municipality's bond ordinance and other documentation on behalf of the underwriter
- ☐ Prepares the bond purchase agreement

Disclosure Obligation

■ The obligation for the accuracy and completeness of the disclosure lies with the Issuer

- ☐ Experts help, but cannot completely discharge the Issuer's obligation
- ☐ Issuer, Underwriter, Municipal Advisor and attorneys all have potential anti-fraud liability for material misstatements or omissions in official statements
- ☐ Obligation goes beyond paying bonds - the SEC can bring an enforcement action even if debt service on bonds is being paid.
- ☐ The process of revising and updating disclosure should not be viewed as a mechanical insertion of more current numbers.

Is Anybody Watching?

■ Federal Income Tax

□ IRS

- Audit of Bonds
 - IRS contacts Issuer
- Post-Issuance Compliance Check Programs
- Voluntary Closing Agreement Program (VCAP)

■ Who Is Investigating Municipal Disclosure?

□ SEC Public Finance Abuse Unit

- The Unit investigates and litigates cases involving violations of the federal securities laws, specifically those matters concerning municipal bonds and public pensions.
- The Unit is made up of approximately 30 attorneys, experts, and staff from SEC offices around the country (with 4 people in Chicago).
- Department of Justice

Outlook 2018: SEC's Enforcement Priorities

The Chief of the SEC's Public Finance Abuse Unit expressed that municipal market enforcement activities will focus on offering and disclosure fraud, broker-dealer abuses, municipal adviser misconduct and breaches of fiduciary duty, public corruption, and pay-to-play abuses. Current chair, Jay Clayton, said he expects the SEC's emphasis going forward to be on fewer, but higher quality, enforcement cases.

Clayton's testimony before Congress earlier this year indicated that he is interested in punishing individual bad actors, so market participants should not be surprised to see a continued focus on enforcement actions against individuals in the coming year.

Disclosure Best Practices

■ Due Diligence Calls

☐ Process:

- Issuer is provided a copy of the Preliminary Official Statement for review in advance of the call
- Underwriter/Municipal Advisor, Counsel and the Issuer on the call
- Review/acknowledge completed Due Diligence Questionnaire

☐ Questions regarding:

- Accuracy of POS
- Changes in financial affairs since Financial Statements
- Audits, investigations, litigation
- Employees and employee relations
- Major taxpayer/employer status
- Compliance with prior continuing disclosure undertakings
- Issuer should raise “material” issues not covered by questions

Disclosure Best Practices (cont'd.)

■ Adopt disclosure policies and procedures

☐ In private or direct placement:

- Have purchaser sign an investor letter

☐ In public offering subject to Rule 15c2-12:

- Establish (and follow) disclosure procedures
- Underwriter's Counsel, Disclosure Counsel and “customary 10b-5 statement”

Rule 15c2-12 Compliance

- Rule 15c2-12 requires the final official statement set forth a description of any instances in the previous five years in which the issuer/obligation person failed to comply, in all material respects, with any previous undertakings (e.g. failure to timely file annual financial information or reportable event notice).
- As Disclosure Counsel, Ice Miller reviews the issuer's previous filings for instances of noncompliance, drafts and makes any necessary remedial filings on EMMA, and includes any necessary disclosures in the official statement.
 - To review for instances of noncompliance, we use the issuer's audits and EMMA to compile a list of the issuer's debt obligations that were outstanding at any time within the previous five years.
 - Next, we review the issuer's offering documents and continuing disclosure undertakings to determine certain information about the issuer and the obligations, such as the annual financial information required to be filed, the date such information is required to be filed, and the ratings assigned to the obligations.

Rule 15c2-12 Compliance (cont'd.)

- Finally, we review the issuer's filings on EMMA, rating agency reports, and other publicly available data to ensure complete annual financial information and notices of the occurrence of any reportable events (e.g. rating changes, payment delinquencies, etc.) were filed in a timely manner.
- If any instances of noncompliance are discovered, we draft and file any necessary remedial filings and notices and craft the appropriate disclosure language for the official statement to bring the issuer into compliance.
- After the effective date of the 2018 Amendments, issuers/obligated persons will need to become more involved in the process to determine if any reportable event filings are required for its financial obligations not posted on EMMA (e.g. private placements).

Recent 15c2-12 Amendment

The SEC recently adopted amendments to Rule 15c2-12 that require continuing disclosure agreements entered into on or after the compliance date (February 27, 2019) to include two new events for which notice must be provided within 10 business days of occurrence:

- (1) Incurrence of a financial obligation of the obligated person, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the obligated person, any of which affect security holders, if material; and
- (2) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of the financial obligation of the obligated person, any of which reflect financial difficulties.

How an Illinois City or Village Can Issue Bonds

TYPE OF DEBT	SECURITY	GENERAL REQUIREMENTS
General Obligation <i>Home Rule</i>	Full faith and credit; backed by the ad valorem taxing power of the Issuer.	No statutory debt limit and no need for voter approval to issue bonds. Flexibility. 40 Year maximum term.
General Obligation <i>Non-Home Rule</i>	Full faith and credit; backed by the ad valorem taxing power of the Issuer.	Referendum unless exception. Statutory debt limit of 8.625% of EAV. BINA hearing required. In tax capped counties, non-voted general obligation bonds may be issued as limited bonds payable from debt service extension base. Generally 20 year maximum term.
Alternate Revenue Bonds	"Double-barreled" – payable from a specific revenue source with the general obligation of the municipality serving as backup security.	Pledged revenues must meet coverage requirement of 1.25 times debt service. Backdoor referendum procedures and BINA hearing required. 40 year maximum term.
Debt Certificates	No separate tax levy backing; obligation is a promise to pay from lawfully available funds.	Borrow money by entering into installment contract agreement. No backdoor referendum or BINA hearing required. Statutory debt limit of 8.625% of EAV. 20 year maximum term.
Revenue	Specific revenue source.	Varies by type of revenue. Referendum and BINA hearing not required. 40 year maximum term.
Special Service Area	Full faith and credit of the taxable real property in the special service area.	Need hearings, notice and various other requirements. 30 year maximum term.
Tax Increment Finance Revenue	Future incremental property tax growth from project, TIF area or contiguous TIF district.	Validly created TIF; TIF eligible costs only.




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LEGISLATIVE UPDATE

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Learning • Connecting • Progressing

QUESTIONS

William D. McCarty II
Director - Office of Budget & Management
City of Springfield, IL
william.mccarty@springfield.il.us

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IGFOA Downstate Chapter Conference Speakers February 21 – 22, 2019

STEPHEN ADAMS, DIRECTOR, PUBLIC FINANCE OF PMA SECURITIES, INC.

Stephen Adams, Director, Public Finance of PMA Securities, Inc. joined PMA Securities in February of 2018. He has been in the public finance industry since 2000 when he began his career with the Illinois Rural Bond Bank. He then spent approximately the next fifteen years working in the public finance department for an Illinois based underwriting firm. In that time he assisted with issuances ranging from \$150,000 to \$50,000,000. Mr. Adams became a part of PMA to expand the footprint of clients served in both Central and Southern Illinois. His primary responsibility is to provide municipal advisory services to municipal entities that are issuing debt. Mr. Adams earned his Bachelor of Science – Business Administration/Economics from Illinois College in Jacksonville, Illinois. He earned his MBA from the University of Illinois at Springfield. He holds FINRA Series 50, 52 and 63 licenses. He is a member of the Illinois Government Finance Officers Association, Illinois Municipal Treasurers Association and the Illinois Association of School Business Officials.

LORI BEELER, CPA, GATU MANAGER, GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

Lori Beeler is the Manager for the Grant Accountability and Transparency Unit (GATU) within the Governor's Office of Management and Budget (GOMB). Under the Grant Accountability and Transparency Act (GATA), GATU is responsible for designing and implementing Illinois' frameworks and systems to implement Federal Uniform Guidance. Lori has been a part of GATA since its inception. She's been a long-standing member of the Illinois Single Audit Commission which was the body that drafted the GATA legislation. Prior to joining GATU in 2016, she served on several GATA subcommittees and workgroups developing GATA rules for the State of Illinois and designing associated frameworks. Lori brought a wealth of grant experience into her role with GATA. Prior to joining GATU, she was responsible for coordination of all external audits for the Illinois Department of Transportation, oversight and management of subrecipient single audit reports and implementation of GATA processes for DOT. As a licensed CPA, Lori brings a great deal of applied knowledge in this highly technical area. Lori's understanding of federal grant requirements and comprehensive vision for how Illinois can strategically work to comply with those requirements has been invaluable to GATA implementation. State agencies and grantees greatly benefitted from her working expertise in grant administration.

KIRK HAMSHER, THE CARROLL-KELLER GROUP

Kirk Hamsher is a seasoned instructor, consultant and personal/business coach. He has over thirty years of experience in developing individuals and groups and whom is a proud member of The Carroll-Keller Group organization for the past several years. He worked at Abbott Laboratories from 1985 - 2006, where he was focused in human development and internal consulting. Prior to joining Abbott, he was a secondary school teacher for several years in the Chicago-land area. Kirk graduated from Southern Illinois University in 1981 with a B.A. in History, and completed graduate studies at Northern Illinois University in 1983, earning an M.A. in History and a secondary teaching certificate. Kirk offers a menu that includes programs such as team building, relationship-building, impact communication, innovation and creative thinking, influencing, negotiation, self-motivation via internal signaling, goal achievement, presentation skills, innovation, leadership, conflict management, productivity, sales acceleration, and team meetings. He is an adjunct/contract instructor for American Management Association; Kishwaukee College; Danville Community College; Joliet Junior College; Better Speakers, Better Writers, Better Results; and Corporate Event Interactive. Kirk's overall philosophy is to do whatever is humanly possible to serve and support individuals and groups as they develop performance skills or pursue goals. He is a member of the American Society for Training & Development (ASTD).

ANDREW KIM, DIRECTOR, PUBLIC FINANCE, PMA SECURITIES

Andrew Kim joined PMA Securities in 2015. He has been in the public finance industry since 2009, having started his career at a financial advisory firm before spending the majority of his career at an underwriting broker-dealer. At PMA, Mr. Kim is responsible for expanding PMA's Public Finance footprint among municipal units of government in the northern region of the State of Illinois. In this capacity, some of his financial advisory clients include the City of Country Club Hills, the Village of Bolingbrook, the Village of Huntley, the Town of Cortland, Fountaindale Public Library District, the Park District of La Grange as well as various school districts. Mr. Kim has a bachelor of arts in economics from Northwestern University and a master of public policy from the University of Chicago. He holds

FINRA Series 7 and Series 63 licenses as well as MSRB's Municipal Series 50 license. Mr. Kim is a member of a number of different professional associations and has presented at several of them, including the Illinois Government Finance Officers Association, the Illinois Association of Park Districts, and the Illinois Library Association.

CAROL A. KRAUS, CPA, GATU DIRECTOR, GOVERNOR'S OFFICE OF MANAGEMENT AND BUDGET

Ms. Kraus is a licensed CPA and started her career in public accounting specializing in state, local government and nonprofit auditing and consulting in 1992. She has served in many capacities in state government starting in 2000 as the Chief Internal Auditor for the Illinois Office of the Comptroller. She later served as an Associate Director of Governor's Office of Management and Budget (GOMB) with responsibility for directing GOMB's Revenue Unit, Federal Funds management, Federal Audit Liaison and Senior Policy Advisor for over 19 state agencies, boards and commissions. Ms. Kraus received the National Association of State Budget Officers' (NASBO) Robert A. Armstrong Midwest Region Award for the development of Budget to Actual Variance Reports and implementation of efficiency models. These efficiency models resulted in greater fiscal discipline and increased controls in spending statewide. Ms. Kraus was later appointed as NASBO's representative on the Governmental Accounting Standards Advisory Council. After leaving GOMB, Ms. Kraus was appointed as the Chief Internal Auditor for the State of Illinois, overseeing over 39 Agencies, Boards and Commissions under the Governor. In 2009, she was appointed as the Chief Accountability Officer to lead the statewide implementation of internal controls, financial performance reporting and monitoring for the American Reinvestment and Recovery Act (ARRA). Illinois was recognized as a leader in the nation in its ARRA implementation effort. Most recently, Ms. Kraus served as the Chief Financial Officer for the Department of Human Services, and Co-chaired the Management Improvement Initiative Committee which was responsible for streamlining the administration of awards and grants for the State's 5 Human Service agencies. This Initiative was very successful and ultimately led to the passage of landmark legislation to implement statewide grant reforms with the passage of the Grant Accountability and Transparency Act (GATA). Currently, Ms. Kraus is serving as the Director of the Grant Accountability and Transparency Unit which is responsible for leading the effort of implementing GATA - establishing uniform policies and procedures in a collaborative effort between grant making agencies and grantees to remove redundancies, duplication of effort and streamlining processes while increasing accountability and transparency throughout the entire grant life cycle.

WILLIAM D MCCARTY II, DIRECTOR OF BUDGET AND MANAGEMENT, CITY OF SPRINGFIELD

William D. McCarty II became Director of Budget and Management (OBM) on May 2, 2011. As Director of OBM, Director McCarty is responsible for overseeing accounting, budgeting, payroll, purchasing, and citywide fleet maintenance services. From October 2007 through May 2011, William was Chief Financial Officer, Bureau of Property Management for the State of Illinois Central Management Services. From April 2005 through April 2009, he served as Village President of Williamsville, Illinois. Prior to becoming Mayor, he spent three years as Village Trustee in Williamsville. He received a bachelor's degree in finance from the University of Notre Dame and holds a master's degree in public administration from the University of Illinois – Springfield. Currently, William is Treasurer of the Illinois Government Finance Officers Association Executive Board and is Chair of the IGFOA Legislative Committee. He is also a member of the Illinois Municipal League Legislative Committee and Vice Chairman of the National Association of Fleet Administrators US Legislative Affairs Committee.

JAMES M. SNYDER, PARTNER, ICE MILLER, LLP

Jim Snyder is head of the Illinois Municipal Finance Group. He acts as bond counsel and disclosure counsel to hundreds of governmental entities throughout the state of Illinois, including school districts, cities, villages, counties, park districts and special districts and as underwriters counsel to dozens of municipal bond underwriters. Jim regularly serves clients on municipal finance transactions including issuers of general obligation bonds, revenue bonds, special service area bonds, tax increment bond bonds, industrial development revenue bonds, multifamily housing bonds and Section 501(c)(3) revenue bonds. Jim is a frequent speaker on public finance issues and is a Board Member and Executive Committee Member of the Council of the Development Finance Authorities and has acted as a member of the Steering Committee for the National Association of Bond Lawyers Bond Attorney Workshop. Jim was also named *The Best Lawyers® 2016 "Lawyer of the Year" for Public Finance Law*.

KATHY THOMAS, MUNICIPAL DISCLOSURE ADMINISTRATOR, ICE MILLER LLP

Kathy Thomas is a municipal disclosure administrator in Ice Miller's Municipal Finance Group, where she works with the Illinois bond lawyers when they serve as underwriter's or disclosure counsel on bond issues for cities, villages, parks, schools and counties on a variety of finance transactions. These include general obligation bonds, alternate revenue bonds, water and sewer revenue bonds, TIF bonds, special service area bonds and debt certificates. Prior to joining Ice Miller, Kathy regularly advised clients on their bond issues and other special projects, and served as financial advisor and investment banker exclusively to local governments in Illinois and neighboring states. She has been in public finance since 1983, and participated in more than \$9.5 billion in debt issuances while serving on the financing side of bond transactions. *Kathy will not be registered as a municipal advisor nor will she be providing municipal advisory services to Ice Miller clients. Kathy Thomas is not licensed to practice law in any state and does not provide legal services.*

ROBERT P. VAIL, SENIOR VICE PRESIDENT AND MANAGING DIRECTOR OF PUBLIC FINANCE, BERNARDI SECURITIES, INC.

Mr. Vail joined the firm in 1998 and manages the Public Finance Department. Bob leads the municipal bond underwriting team. Bob is responsible for structuring general obligation and revenue-backed bond issues for client's in both capped and non-tax capped counties. Bob has assisted numerous municipalities, counties, school districts, and park districts throughout Illinois with their financing, refinancing and debt restructuring needs. He has extensive knowledge in advanced and current refunding bond issues, alternate revenue source bonds, enterprise system revenue issues, and debt and levy structuring. Bob holds a B.S. in Finance from the University of Kentucky and the Series 52, Series 53 and Series 63 securities licenses.

JOHN M. VEZZETTI, VICE PRESIDENT, BERNARDI SECURITIES, INC.

John Vezzetti joined the firm in December of 2009 and works in our Peru office. John is responsible for structuring general obligation and revenue-backed bond issues for clients in both capped and non-taxed capped counties. John has helped numerous municipalities, counties, school districts and park districts throughout Illinois find immediate and future financing and debt restructuring solutions. He has extensive knowledge in advanced and current refunding bond issues, alternate revenue source bonds, enterprise system revenue issues, and debt and levy structuring. John is also responsible for performing credit analysis, refunding analysis, and executing transactions involved with the closing of municipal bond issues. John holds a B.A. in Finance from Augustana College and the Series 52 and Series 63 securities licenses.

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