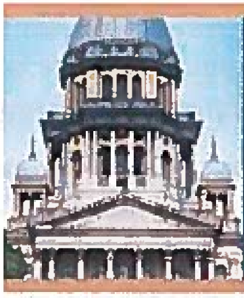

ILLINOIS CPA SOCIETY GOVERNMENT RELATIONS
REGULATORY
UPDATE
icpas
illinois cpa society

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Version 2

COMPTROLLER LOCAL GOVERNMENT DIVISION
FINES FOR FINANCIAL REPORTS NON-COMPLIANCE

Overview

The Local Government Division of the Office of the Comptroller has begun sending delinquency notices to units of local government who are delinquent in financial report filings for FY 25. As a general proposition, there are three notices of delinquency. A unit of local government can come into compliance at any time throughout the process and upon compliance can request abatement for the fees. The following is an overview of the delinquency notice process culminating with certification of debt and intercept collect if compliance is not achieved.

Delinquency and Daily Fines

A report becomes delinquent when it is not filed by the applicable due date or approved extension date. Under 50 ILCS 310/4(c), fines may accrue at $5 per day for days 1-15, $10 per day for days 16-30, $15 per day for days 31-45, and $20 per day for day 46 and thereafter.

Three Notices of Delinquency & Remedial Process- (50 ILCS 310/4)

Section 4 of the Governmental Account Audit Act provides for three notices of delinquency, commonly referred to as Fine Notifications. The notices advise the unit of local government that required financial reports remain unfiled and that fines are accruin g. Following issuance of the third Fine Notification, debt certification may occur no sooner than 30 days after receipt of the notification and no later than 45 days after receipt, unless the local government achieves compliance or otherwise qualifies for relief under the Comptroller's procedures.

PRO TIP- Communication with the Comptroller's Local Government Division is crucial and may help establish a good-faith effort toward compliance. Written communication outlining the steps being taken to achieve compliance is strongly encouraged. Communications from a CPA firm regarding engagement status, audit progress, and anticipated completion timelines are helpful; however, the Comptroller's Office requires that a representative of the local government be copied on such communications to demonstrate the government's involvement and commitment to compliance. Maintaining a documented record of compliance efforts may be beneficial if the local government later requests abatement of accrued fines after achieving compliance.

Opportunity for Compliance

Throughout the delinquency and fine-notification process, local governments may communicate with the Local Government Division, submit overdue reports, provide supporting information, and work toward compliance. If the local government comes into compliance before debt certification occurs, it may seek abatement of accrued fines for good cause shown.

Fine Abatement Process

After achieving compliance, a local government may request abatement or reduction of accrued fines. Section 4(c) authorizes the Comptroller, in the Comptroller's discretion, to reduce assessed fines. Requests for abatement are evaluated after all required reports have been filed. If an abatement request is pending, debt certification occurs upon issuance of the Comptroller's determination regarding the abatement request.

Extensions of Filing Deadlines

Units of local government may request a 60-day extension of the filing deadline through the Comptroller Connect Filing Application. The extension is **not automatically granted** upon delinquency and must be affirmatively requested by the filer. The request process is available on the application's Welcome Page and is granted upon submission. An extension may be requested beginning at fiscal year-end and up to 240 days after the close of the fiscal year. A report is not considered delinquent if it is filed by an approved extension deadline.

Forced Audit Process

If required reports remain outstanding after notice, 50 ILCS 310/4(a) authorizes the comptroller to place the unit of local government into the forced audit category. The statute authorizes the comptroller to have an audit firm perform an audit of the delinquent unit of local government at the local government's expense. During forced audit, fines and collections are paused.

PRO TIP-Even if a unit of local government is moved to the forced audit category, the local government can still achieve compliance by filing delinquent reports. If the local government retained an audit firm and their voluntary audit is in progress, the audit firm can complete the audit for the local government to submit once accepted by the governing board of the unit of local government. Communication with the comptroller is key.

Certification of Debt

If a unit of local government remains noncompliant and the assessed fines have not been abated, the Comptroller may certify the debt. Debt certification generally occurs no sooner than 30 days and no later than 45 days after receipt of the third Fine Notification. When an abatement request has been submitted, certification occurs upon issuance of the Comptroller's determination on the request.

Three Invoices of Debt

After the debt has been certified, the local government will receive three invoices for the certified obligation before collection activity is initiated through the Comptroller's Intercept Warrant (IW) process. During this period, the local government may review the invoiced amounts and utilize any applicable protest procedures.

Intercept Collection

Following debt certification and issuance of the required invoices, the Comptroller may utilize the Intercept Warrant (IW) process to collect certified obligations from eligible state payments otherwise payable to the local government until the debt has been satisfied.

Conclusion

The overall enforcement structure follows a progressive approach: three notices of delinquency, daily fines, opportunity for compliance, possible fine abatement, forced audit, debt certification, and intercept collection. The Comptroller's Local Government Division has posted informational FAQs on the delinquency, abatement, forced audit and involutory withhold process at https://illinoiscomptroller.gov/ioc-pdf/LocalGovt/FinesFAQ.pdf.

Statutory References

Primary authority -Governmental Account Audit Act (50 ILCS 310)

County Auditing Law (55 ILCS 5/6-31001 et seq.)

Illinois Municipal Auditing Law (65 ILCS 5/8-8-1 et seq.).