**Section 610.60 Administrative Requirements**

a) Loan Terms – Infrastructure project loans will be at a fixed, low or no interest rate for a term not to exceed 10 years. However, in extenuating circumstances (e.g., based on the infrastructure improvement's useful life and the local government's financial capacity to repay the loan) a longer term, up to twenty years, will be considered. The loan term and amortization schedule will be flexible, according to not only the life expectancy of the proposed infrastructure improvement, but also the repayment capacity (based upon a review of the local government's last year's audit) of the local government. Installments shall be due and payable to the Department according to a negotiated amortization schedule. All payments shall be applied first to interest and then to principal.

b) Reporting – The Recipient (applicant receiving grant/loan) will provide, at least annually, information and reports required by the Department (e.g. reports on job creation/retention; financial statement of assets, liabilities, and net worth).

c) Termination of Grant/Loans – Grants/loans shall be terminated for the following reasons:

1) Termination due to Loss of Funding – In the absence of state funding for a grant year, all grants/loans for that year will be terminated in full. In the event of a partial loss of state funding, the Department will make proportionate cuts to all Recipients. In the event the Department suffers such a loss of funding in full or part, the Department will give the Recipient written notice setting forth the effective date of full or partial termination, or if a change in funding is required setting forth the change in funding and changes in the approved budget.

2) Termination for Cause

A) If the Department determines that the Recipient has failed to comply with the terms and conditions of the grant/loan, the Department shall terminate the grant/loan in whole, or in part, at any time before the date of completion. Circumstances which will result in the termination of a grant/loan include, but are not necessarily limited to the following: consistent failure to submit required reports; failure to maintain required records; failure to protect inventory; misuse of equipment purchased with grant/loan funds; evidence of fraud and abuse; consistent failure to meet performance standards and failure to resolve points of the agreement (i.e., narrative, number to be served). These circumstances are explained in the grant/loan agreement.

B) The Department shall promptly notify the Recipient in writing of the determination to terminate, the reasons for such termination, and the effective date of the termination. Payments made to the Recipient or recoveries by the Department shall be made in accordance with legal rights and liabilities explained in the grant/loan agreement.

3) Termination by Agreement – The Department and the Recipient shall terminate the grant/loan in whole, or in part, when the Department and the Recipient agree that the continuation of the program objectives would not produce beneficial results commensurate with the future expenditures of funds. The Department and the Recipient shall agree upon termination conditions, including the effective date and, in the case of partial termination, the portion to be terminated. Recipient shall not incur new obligations for the terminated portion after the effective date, and shall cancel as many outstanding obligations as possible. The Department shall allow full credit to the Recipient for the Department's share of the noncancellable obligations, properly incurred by the Recipient prior to termination.

d) Events of Default – The entire unpaid principal of the loan, and the interest then accrued thereon, shall become and be immediately due and payable upon the written demand of the Department, without any other notice or demand of any kind or any presentment of protest, if any one of the following events (hereafter an "event of default") shall occur and be continuing at the time of such demand, whether voluntarily or involuntarily, or without limitation, occurring or brought about by operation of law or pursuant to or in compliance with any judgment, decree or order of any court or any order, rules or regulations of any administrative or governmental body, provided, however that such sum shall not be then payable if Recipient's payments have been deferred. The Department will make deferrals based upon case by case review of the Recipient's financial statements and projections (see Section 610.25(d) and (e)) to determine if the Recipient will be able to make payments at a future date.

1) Non-Payment of Loan – If the Recipient shall fail to make payment when due of any installment of principal on the loan, or interest accrued thereon and if the failure to make payment shall remain unremedied for fifteen (15) days.

2) Non-Payment of Other Indebtedness – If default shall be made in the payment when due of any installment of principal or of interest on any of the Recipient's other indebtedness (any creditor the Recipient owes) and if such default shall remain unremedied for (15) days.

3) Incorrect Representation or Warranty – If any representation or warranty contained in, or made in connection with the execution and delivery of, the loan agreement, or in any certificate furnished pursuant hereto, shall prove to have been incorrect.

4) Default in Covenants – If the Recipient shall default in the performance of any other term, covenant or agreement contained in the loan agreement, and such default shall continue unremedied for thirty (30) days after either:

A) it becomes known to an executive officer of the Recipient; or

B) written notice thereof shall have been given to the Recipient by the Department.

5) Voluntary Insolvency – If the Recipient shall cease to pay its debts as they mature or shall voluntarily file a petition seeking reorganization of, or the appointment of a receiver, trustee, or liquidation of its assets or to effect a repayment plan with creditors, or shall be adjudicated bankrupt, or shall make a voluntary assignment for the benefit of creditors.

6) Involuntary Insolvency – If an involuntary petition shall be filed against the Recipient under any bankruptcy or insolvency law or seeking the reorganization of or the appointment of any receiver, trustee or liquidator for the Recipient, or the property of the Recipient, or a writ or warrant of attachment shall be issued against the property of the Recipient and such petition shall not be dismissed, or such writ or warrant of attachment shall not be released or bonded within thirty (30) days after filing or levy.

7) Judgments – If any final judgment for the payment of money that is not fully covered by liability insurance shall be rendered against the Recipient, and within thirty (30) days, shall not be discharged, or an appeal therefrom taken and execution thereon effectively stayed pending such appeal, and, if such judgment be affirmed on such appeal, the same shall not be discharged within thirty (30) days.

e) Notice of Default – The Recipient agrees to give written notice to the Department of any event, within 15 days after the event, which constitutes an event of default as specified in Section 610.60(d).

f) Monitoring and Evaluation – Recipients must permit any agent authorized by the Department, upon presentation of credentials to, in accordance with the constitutional limitation on administrative searches, have full access to and the right to examine any documents, papers, and records of the Recipient involving transactions related to a grant/loan from the Department.

g) Audits

1) The Recipient shall be responsible for having an audit of all grant/loan records and such audit must be performed by an independent certified public accountant, licensed by authority of the State of Illinois in accordance with the Illinois Public Accounting Act (Ill. Rev. Stat. 1991, ch. 111, pars. 5500.01 et seq.) [225 ILCS 450]. The audit must be conducted in accordance with generally accepted auditing standards adopted by the American Institute of Certified Public Accountants (AICPA) (office located at 1211 Avenue of Americas, New York, N.Y. 10036-8775) (1989, with no later amendments or editions).

2) The Recipient may secure an independent audit of its grant/loan in the same manner as it secures its regular audits, provided it provides for maximum open and free competition. The audit should be conducted as part of the Recipient's normal annual audit or, when the ending period of the audit covers the expenditure of all loan funds, bi-annual audit.

3) The Recipient shall work cooperatively with the audit firm selected; actively work with both the audit firm and the Department to resolve any and all audit findings; and work cooperatively with the Department's staff in preparing for, conducting, and resolving audits.

4) Any Recipient receiving a grant will provide the Department with 3 copies of its annual audit which addresses Department grant(s). In instances where the grant period or term does not coincide with the Recipient's fiscal year, two fiscal audit reports shall be forwarded to the Department. Any Recipient receiving a loan will provide the Department with 3 copies of its audit which addresses funds expended under the Department's loan, within thirty days of its publication.

5) The Department reserves the right to conduct special audits, including but not limited to an agency-wide audit, at any time during normal working hours of funds expended under Department grants/loans.

6) Any independent public accounting firm that provides consultant services to a Recipient is prohibited from conducting an audit of that Recipient for the period during which services were rendered.

h) Complaint Process – In the event of a Recipient complaint, the Department will follow the procedures outlined in 47 Ill. Adm. Code 10 (Review and Appeal Procedures).

i) Interest on Grant Funds – In accordance with Section 10 of the Illinois Grant Funds Recovery Act (Ill. Rev. Stat. 1991, ch. 127, par. 2310) [30 ILCS 705/10], all interest earned on funds held by the Recipient under the grant shall become part of the grant when earned. Any interest earned under the grant, and not expended as grant principal during the term of the grant, shall be returned to the Department.

j) Nondiscrimination – The Recipient shall refrain from unlawful discrimination in employment and undertake affirmative action to assure equality of employment opportunity and eliminate the effects of past discrimination in accordance with the Illinois Human Rights Act (Ill. Rev. Stat. 1991, ch. 68, pars. 1-101 et seq.) [775 ILCS 5].

k) Financial Management Standards – The Recipient's financial management system shall be structured under the Accounting Standards of the Financial Accounting Standards Board of the AICPA (September 19, 1987, no later amendments or editions included) to maintain control and accountability over grant/loan funds.

l) Maintenance and Insurance of Property

1) The Recipient shall at all times maintain the property provided as security for the loan in such condition and repair that the Department's security will be adequately protected.

2) The Recipient shall maintain, during the term of the loan, adequate (at least covering the amount of the loan) hazard (e.g., tornado, hail, acts of God) insurance policies, covering fire and extended coverage for all such other hazards and issued by an insurance company authorized to do business in the State of Illinois with loss payee clauses in favor of the Department.

3) The Recipient shall, if at any time during the life of the loan the Recipient's property is declared to be within a flood hazard area, purchase federal flood insurance if available. Such insurance shall be equal to the amount of the loan.

4) The Recipient shall maintain liability and worker's compensation insurance. The Recipient shall provide written notice to the Department of any public hearing or meeting before any administrative or other public agency which may, in any manner, affect the chattel, personal property or real estate securing the loan.

(Source: Amended at 18 Ill. Reg. 8398, effective May 23, 1994)