

**STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY**

**COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2023**

Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

**State of Illinois
Illinois Finance Authority**

**Compliance Examination
For the Two Years Ended June 30, 2023**

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**State of Illinois
Illinois Finance Authority**

**Compliance Examination
For the Two Years Ended June 30, 2023**

Agency Officials

Chair of the Authority
Executive Director
SVP of Finance and Administration
General Counsel

Mr. William Hobert
Mr. Christopher Meister
Ms. Ximena Granda
Ms. Elizabeth Weber

Members of the Illinois Finance Authority's Board of Directors during the period were as follows:

Member (August 28, 2023 – Present)
Member (September 14, 2020 – January 6, 2023)
Member
Member (May 17, 2023 – Present)
Member
Member
Member
Member (August 28, 2023 – Present)
Member (May 20, 2023 – Present)
Member
Member (July 8, 2016 – August 3, 2022)
Member (July 11, 2022 – Present)
Member
Member
Member
Member (September 25, 2020 – January 10, 2023)
Member (October 5, 2021 – June 2, 2023)
Member
Member (March 29, 2019 – June 30, 2022)
Member

Ms. Susan Abrams
Mr. Peter Amaro
Mr. Drew Beres
Ms. Karen Caldwell
Mr. James J. Fuentes
Mr. William Hobert
Ms. Arlene Juracek
Mr. Steve Landek
Ms. Lynn Sutton
Ms. Roxanne Nava
Mr. George Obernagel
Ms. Ameya Pawar
Mr. Roger E. Poole
Mr. Timothy Ryan
Mr. Michael Strautmanis
Mr. Eduardo Tobon
Ms. Jennifer Watson
Mr. Randal J. Wexler
Mr. Jeffrey Wright
Mr. Bradley A. Zeller

Agency offices are located at:

Chicago Office
160 North LaSalle Street, Suite S-1000
Chicago, Illinois 60601

Mount Vernon Office
2929 Broadway Street, #7B
Mount Vernon, Illinois 62864



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March 21, 2024

RMS US LLP
Certified Public Accountants
1450 American Lane, Suite 1400
Schaumburg, Illinois 60173

Ladies and Gentlemen:

We are responsible for the identification of, and compliance with, all aspects of laws, regulations, contracts, or grant agreements that could have a material effect on the operations of the Illinois Finance Authority (Authority). We are responsible for and we have established and maintained an effective system of internal controls over compliance requirements. We have performed an evaluation of the Authority's compliance with the following specified requirements during the two-year period ended June 30, 2023. Based on this evaluation, we assert that during the years ended June 30, 2022, and June 30, 2023, the Authority has materially complied with the specified requirements listed below.

- A. The Authority has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Authority has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. Other than what has been previously disclosed and reported in the Schedule of Findings, the Authority has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Authority are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Authority on behalf of the State or held in trust by the Authority have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

Illinois Finance Authority

SIGNED ORIGINAL ON FILE

Christopher Meister, Executive Director

SIGNED ORIGINAL ON FILE

Ximena Granda, SVP of Finance and Administration

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Elizabeth Weber, General Counsel

**State of Illinois
Illinois Finance Authority**

**Compliance Examination
For the Two Years Ended June 30, 2023**

STATE COMPLIANCE REPORT

SUMMARY

The State compliance testing performed during this examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants; the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the Illinois State Auditing Act (Act) and the *Audit Guide*.

ACCOUNTANT’S REPORT

The Independent Accountant’s Report on State Compliance and on Internal Control Over Compliance does not contain scope limitations or disclaimers, but does contain a modified opinion on compliance and identifies two material weaknesses and four significant deficiencies over internal control over compliance.

SUMMARY OF FINDINGS

<u>Number of Findings</u>	<u>Current Report</u>	<u>Prior Report</u>
Repeated Findings	6	8
Prior Recommendations Implemented or Not Repeated	4	4
	4	2

SCHEDULE OF FINDINGS

Item No	Page	Last/First Reported	Description	Finding Type
Current Findings				
2023-001	8	New	Cybersecurity Incident Involving Unauthorized Access	Material Weakness and Material Noncompliance
2023-002	9	2021/2013	Internal Audit	Material Weakness and Material Noncompliance
2023-003	11	2021/2021	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency and Noncompliance
2023-004	13	2021/2017	Noncompliance with the Illinois Finance Authority Act	Significant Deficiency and Noncompliance
2023-005	14	2021/2010	Delinquent and Inaccurate Reporting of Bond Activity	Significant Deficiency and Noncompliance
2023-006	16	New	Missing Approval for New Loans	Significant Deficiency and Noncompliance
Prior Year Findings Not Repeated				
A.	17	2021/2019	Control over Property and Equipment	
B.	17	2021/2021	Inaccurate Quarterly Summary of Accounts Receivable	
C.	17	2021/2021	Noncompliance with the Illinois Environmental Facilities Financing Act	
D.	17	2021/2021	Lack of Adequate Controls over the Review of Internal Controls for Service Providers	

**State of Illinois
Illinois Finance Authority**

**Compliance Examination
For the Two Years Ended June 30, 2023**

EXIT CONFERENCE

The responses to the recommendations were provided by Ximena Granda, SVP of Finance and Administration, in a correspondence dated March 19, 2024.

The remaining findings and recommendation appearing in this report were discussed with Authority personnel at an exit conference on March 20, 2024.

In attendance were:

Illinois Finance Authority

Chris Meister, Executive Director

Ximena Granda, SVP of Finance and Administration

OAG

Tom Kizziah, Senior Audit Manager

RSM US LLP

Joseph Evans, Partner

Dan Sethness, Partner

Paige Morgano, Manager

**Independent Accountant's Report on State Compliance
and on Internal Control Over Compliance**

Honorable Frank J. Mautino
Auditor General
State of Illinois

and

Board of Directors
Illinois Finance Authority

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the Illinois Finance Authority (Authority) with the specified requirements listed below, as more fully described in the *Audit Guide for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)* as adopted by the Auditor General, during the two years ended June 30, 2023. Management of the Authority is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on the Authority's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. The Authority has obligated, expended, received, and used public funds of the State in accordance with the purpose for which such funds have been appropriated or otherwise authorized by law.
- B. The Authority has obligated, expended, received, and used public funds of the State in accordance with any limitations, restrictions, conditions, or mandatory directions imposed by law upon such obligation, expenditure, receipt, or use.
- C. The Authority has complied, in all material respects, with applicable laws and regulations, including the State uniform accounting system, in its financial and fiscal operations.
- D. State revenues and receipts collected by the Authority are in accordance with applicable laws and regulations and the accounting and recordkeeping of such revenues and receipts is fair, accurate, and in accordance with law.
- E. Money or negotiable securities or similar assets handled by the Authority on behalf of the State or held in trust by the Authority have been properly and legally administered and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Our examination was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants, the standards applicable to attestation engagements contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the Illinois State Auditing Act (Act), and the *Audit Guide*. Those standards, the Act, and the *Audit Guide* require that we plan and perform the examination to obtain reasonable assurance about whether the Authority complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether the Authority complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgement, including an assessment of the risks of material noncompliance with the specified requirements, whether due to fraud or error. We believe that the evidence we obtained is sufficient and appropriate to provide a reasonable basis for our modified opinion.

We are required to be independent and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to the engagement.

Our examination does not provide a legal determination on the Authority's compliance with the specified requirements.

Our examination disclosed material noncompliance with the following specified requirements applicable to the Authority during the two years ended June 30, 2023. As described in the accompanying Schedule of Findings as items 2023-001 and 2023-002, the Authority has not complied in all material respects, with applicable laws and regulations, including State uniform accounting system, in its financial and fiscal operations.

In our opinion, except for the material noncompliance with the specified requirements described in the preceding paragraph, the Authority complied with the specified requirements during the two years ended June 30, 2023, in all material respects. However, the results of our procedures disclosed instances of noncompliance with the specified requirements, which are required to be reported in accordance with criteria established by the *Audit Guide* and are described in the accompanying Schedule of Findings as items 2023-003 through 2023-006.

The Authority's responses to the compliance findings identified in our examination are described in the accompanying Schedule of Findings. The Authority's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing and the results of that testing in accordance with the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the specified requirements (internal control). In planning and performing our examination, we considered the Authority's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the Authority's compliance with the specified requirements and to test and report on the Authority's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with the specified requirements on a timely basis. A material weakness in internal control is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material noncompliance with the specified requirements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying Schedule of Findings as items 2023-001 and 2023-002 to be material weaknesses.

A significant deficiency in internal control is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings as item 2023-003 through 2023-006 to be significant deficiencies.

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

The Authority's responses to the internal control findings identified in our examination are described in the accompanying Schedule of Findings. The Authority's responses were not subjected to the procedures applied in the examination and, accordingly, we express no opinion on the responses.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that testing based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

SIGNED ORIGINAL ON FILE

Schaumburg, Illinois
March 21, 2024

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2023**

Finding 2023-001 Cybersecurity Incident Involving Unauthorized Access

The Illinois Finance Authority (Authority) experienced a network security incident that involved an unauthorized party gaining access to the Authority's network environment.

On or about November 6, 2023, the Authority experienced a network security incident that involved an unauthorized party gaining access to the Authority's network environment. Upon detecting the incident, the Authority disabled all access to the network and engaged a specialized third-party forensic incident response firm to assist with securely restoring the network environment and investigating the extent of unauthorized activity. As of the date of the report, the investigation is ongoing.

The Framework for Improving Critical Infrastructure Cybersecurity and the *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints in order to ensure the security of their applications, data, and continued business mission.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

Authority officials stated they are working with third-party specialists to investigate the incident to determine the root cause.

The incident, which involved unauthorized access to the Authority's environment, resulted in the loss of data. (Finding Code No. 2023-001)

Recommendation

We recommend the Authority continue to investigate the incident to determine the root cause.

Authority Response

The Authority accepts this finding.

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2023**

Finding 2023-002 Internal Audit

The Illinois Finance Authority (Authority) did not have an appropriate full-time internal audit program in place during the examination period in accordance with the Fiscal Control and Internal Auditing Act (Act).

On June 28, 2017, the Authority entered into an intergovernmental agreement with the Department of Central Management Services (CMS) to act as the internal auditor. As of April 1, 2019, we noted the CMS' Internal Auditor was acting as the Chief Internal Auditor for nine different State agencies, each of which was a designated State agency required to have a Chief Internal Auditor and to maintain a full-time program of internal audit under the Act. During the performance of examination procedures, it was determined CMS is still serving as the internal audit function for the Authority.

In an opinion dated August 9, 2019, the Attorney General's Office stated that "it is clear that the Act contemplates that each chief internal auditor will serve only one designated State agency and will do so on a full-time basis. Accordingly, because a designated State agency may not share a chief internal auditor with CMS or any other designated State agency without contravening the Act, a designated State agency likewise may not enter into an intergovernmental agreement permitting the sharing of internal audit services without violating the Act."

The Act requires each designated State agency to maintain a full-time program of internal auditing (30 ILCS 10-2001(a)). The Authority is a designated State agency required to maintain a full-time program of internal auditing (30 ILCS 10/1003 (a)).

The Act (30 ILCS 10/2002(a)) also requires the Executive Director to appoint a chief internal auditor.

The Attorney General ruled in Opinion No. 19-001, issued August 9, 2019, pg.2, that, "multiple designated State agencies may not appoint the same individual as their chief internal auditor through the execution of an intergovernmental agreement".

This finding was first reported during the examination for the year ended June 30, 2013. In subsequent years, the Authority has been unsuccessful in implementing a corrective action plan.

Authority officials stated that as reflected in the audited financial reports for Fiscal Years 2019 through 2022, the Authority operated in a challenging revenue environment. Accordingly, the Authority did not have the financial capacity to comply with this mandate during this audit period.

Failure to establish a full-time internal audit program in accordance with the requirements of the Act – where the chief internal auditor develops a deep understanding of the Authority's functions and processes, oversees, and performs audits of the Authority's major systems of internal accounting and administrative controls on a periodic basis, and oversees and reviews major new and modifications to information systems prior to implementation – weakens the Authority's ability to assess its overall internal control environment and represents noncompliance with State law. (Finding Code No. 2023-002, 2021-001, 2019-001, 2017-003, 2015-005 and 2013-006)

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2023**

Finding 2023-002 Internal Audit (Continued)

Recommendation

We recommend the Authority's Executive Director appoint a chief internal auditor, who is not appointed by any other State agency as a chief internal auditor, and ensure a full-time program of internal auditing is in place and functioning at the Authority.

Authority Response

The Authority accepts the external auditor's recommendation. In September 2021, the Governor named the Authority as the Climate Bank in the Climate and Equitable Jobs Act (CEJA). Also, after January 2021, competitive and formula federal funds became available consistent with the Authority's designation as the Climate Bank under CEJA and the Authority's broad statutory purposes and powers. To date, the Authority has had some success with obtaining the awards of federal funds. As the Authority pursues its plan to develop Climate Bank purposes, products, and revenue streams with federal funds, Authority staff anticipates including an internal auditor position in the proposed Fiscal Year 2025 budget which Authority staff will present to Authority members at the June 11, 2024, meeting for consideration.

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2023**

Finding 2023-003 Weaknesses in Cybersecurity Programs and Practices

The Illinois Finance Authority (Authority) had not implemented adequate internal controls related to cybersecurity programs, practices and control of confidential information.

The Authority is responsible for providing access to low-cost capital to public and private institutions. In order to carry out their responsibilities, the Authority maintains several applications which contain confidential and personal information.

The Illinois State Auditing Act (30 ILCS 5/3-2.4) requires the Auditor General to review State agencies and their cybersecurity programs and practices. During our examination of the Authority's cybersecurity program, practices and control of confidential information, we noted the Authority had not:

- Developed policies related to change control and system development.
- Developed a cybersecurity plan.
- Developed a project management framework to ensure new applications were adequately developed and implemented in accordance with management's expectations.
- Developed a risk management methodology, conducted a comprehensive risk assessment, or implemented risk reducing internal controls.
- Developed a data classification methodology.
- Required contractors to acknowledge receipt of the Authority's policies upon hiring.
- Required employees or contractors to acknowledge receipt of the Authority's policies on an annual basis.

The *Framework for Improving Critical Infrastructure Cybersecurity* and the *Security and Privacy Controls for Information Systems and Organizations* (Special Publication 800-53, Fifth Revision) published by the National Institute of Standards and Technology requires entities to consider risk management practices, threat environments, legal and regulatory requirements, mission objectives and constraints in order to ensure the security of their applications, data, and continued business mission.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires all State agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls to provide assurance funds, property, and other assets and resources are safeguarded against waste, loss, unauthorized use and misappropriation and maintain accountability over the State's resources.

The Authority indicated the lack of staff and monetary resources resulted in the exceptions.

The lack of adequate cybersecurity programs and practices could result in unidentified risk and vulnerabilities, which could ultimately lead to the Authority's confidential and personal information being susceptible to cyber-attacks and unauthorized disclosure. (Finding Code No. 2023-003, 2021-002)

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2023**

Finding 2023-003 Weaknesses in Cybersecurity Programs and Practices (Continued)

Recommendation

We recommend the Authority:

- Develop policies documenting the control governing change control and system development.
- Develop a cybersecurity plan.
- Develop a project management framework to ensure new applications are adequately developed and implemented.
- Develop a risk management methodology, conduct a comprehensive risk assessment, and implement risk reducing internal controls.
- Develop a data classification methodology.
- Require contractors to acknowledge receipt of the Authority's policies upon hiring.
- Require employees and contractors to acknowledge receipt of the Authority's policies at least annually.

Authority Response

The Authority accepts this recommendation. The Authority has fortified its Cyber Security Posture. The Authority recognizes that this topic is rapidly evolving. Accordingly, the Authority closely monitors developments and plans to implement new standards based on the current revisions of the NIST frameworks as well as anticipated applicable changes to federal law. The Authority implemented additional mandatory Cyber Security training for its staff and third-party IT support. In addition to its internal staff and third-party resources, the Authority has field experts to train, advise, and assist with this implementation and ongoing monitoring as well as to advise and assist with additional improvements as appropriate.

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2023**

Finding 2023-004 Noncompliance with the Illinois Finance Authority Act

The Illinois Finance Authority (Authority) did not comply with the Illinois Finance Authority Act (Act).

During testing over the Authority's compliance with statutory mandates, we noted the fiscal year 2021 financial statements were not sent to the Governor, Secretary of State, Comptroller, and General Assembly.

Additionally, the fiscal year 2022 financial statements were filed 365 days after fiscal year end. Furthermore, the fiscal year 2022 financial statements were not filed with the Governor, Secretary of the Senate and the Chief Clerk of the House of Representative.

The Illinois Finance Authority Act (20 ILCS 3501/845-50) states as soon after the end of each fiscal year as may be expedient, the Authority shall cause to be prepared and printed a complete report and financial statement of its operations and of its assets and liabilities. A reasonably sufficient number of copies of such report shall be printed for distribution to persons interested, upon request, and a copy thereof shall be filed with the Governor, the Secretary of State, the State Comptroller, the Secretary of the Senate and the Chief Clerk of the House of Representatives.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires the Authority to establish and maintain a system, or systems, of internal fiscal and administrative controls. The Authority's system of internal controls should include procedures to ensure all required reports are filed.

This finding was first reported during the examination for the two years ended June 30, 2017. In subsequent years, the Authority has been unsuccessful in implementing a corrective action plan.

Authority officials stated that this was an administrative oversight.

Failure to timely file the required reports with those specified in the Act results in noncompliance with the Act. (Finding Code No. 2023-004, 2021-005, 2019-006, 2017-008)

Recommendation

We recommend the Authority implement procedures to ensure the financial report is filed timely each fiscal year.

Authority Response

The Authority accepts the external auditor's recommendation. The Authority has since hired a Policy Analyst who will work with the Governor, the Secretary of State, the State Comptroller, the Secretary of the Senate and the Chief Clerk of the House of Representatives to make sure the reports get submitted on a timely basis and that confirmations are received.

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2023**

Finding 2023-005 Delinquent and Inaccurate Reporting of Bond Activity

The Illinois Finance Authority (Authority) did not timely and accurately submit transaction reporting for bond principal and interest payments to the Office of Comptroller.

During testing of 40 bond issuances and the 139 distinct payments selected for testing which required the filing of a *Notice of Payment of Bond Interest and/or Principal* report (Form C-08) during the examination period, the auditors noted 82 of the 384 (21%) Form C-08's tested were submitted to the Office of Comptroller between 1 and 417 days late. For each of the issues tested, the Authority had agreements in place for the paying agents to submit the Form C-08 within the required timeframe.

The Statewide Accounting Management System (SAMS) (Procedure 31.30.20) requires Form C-08 be prepared and sent to the Office of Comptroller within 30 days from the date the voucher is processed for payment. The form is required to include the amount of principal outstanding after the payment being reported is applied.

The Fiscal Control and Internal Auditing Act (30 ILCS 10/3001) requires agencies to establish and maintain a system, or systems, of internal fiscal and administrative controls. The Authority's system of internal controls should include procedures to ensure required reports filed on behalf of the Authority are filed accurately and timely.

This finding was first reported during the examination for the year ended June 30, 2010. In subsequent years, the Authority has been unsuccessful in implementing a corrective action plan.

Authority officials stated the exceptions were primarily due to the paying agents/trustees not submitting the information timely to either the Authority or the Office of the Comptroller.

Failure to submit timely and accurate reports to the Office of Comptroller inhibits the Office of Comptroller's ability to record and monitor State debt transactions. (Finding Code No. 2023-005, 2021-003, 2019-002, 2017-004, 2015-006, 2013-007, 12-7, 11-5, 10-6)

Recommendation

We recommend the Authority continue to monitor and work with the paying agents to improve compliance with principal and/or interest reporting requirements.

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2023**

Finding 2023-005 Delinquent and Inaccurate Reporting of Bond Activity (Continued)

Authority Response

The Authority accepts the external auditor's recommendation. The Authority recognizes the State transparency and accountability policy represented by the C-08 process. The C-08 process mandates that the Authority, the Office of the Illinois Comptroller, the conduit bond trustee/paying agent/bank-lender, and the third-party conduit borrower, partner to collect data, in real-time, with respect to the payment of principal and interest by the conduit borrower. Conduit bonds are not the financial obligation of either the Authority or State taxpayers. The Authority lacks the enforcement powers with respect to data gathering and submission by the involved parties. C-08 reporting entities are generally selected by conduit borrowers, not the Authority. Based upon a survey of entities in other states similar to the Authority state agencies, the Authority believes that the C-08 reporting process is unique in the nation for issuers of conduit bonds. Nonetheless, the Authority has worked productively with the Office of the Illinois Comptroller to continue to improve the accuracy of and reduce the public resource cost of the C-08 process. The Authority will continue to work to improve C-08 reporting within the aged and complex reporting environment that the Authority does not control. Authority officials stated this is an improvement from the FY 2021 compliance audit on this finding, reflecting Authority efforts to enhance its partnership with the Illinois Office of the Comptroller and the allocation of additional resources to this function through hiring.

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2023**

Finding 2023-006 Missing Approval for New Loans

The Authority did not receive approval from the Office of the State Fire Marshall (Office) for new loan issuances.

During our testing of 2 new loan issuances for fire trucks, we noted both loans (100%) did not contain a loan application from the Office.

Per the Illinois Administrative Code (41 Ill. Admin. Code 290.50(e)), the Office will forward those loan applications for approval to the Authority for review under its guidelines for creditworthiness (74 Ill. Admin. Code 1100.817). The Authority, after completion of its review, will notify the Office of the loan application it will approve. The Office will then notify the applicants.

Authority officials stated that this was an administrative oversight.

Failure to obtain approval from the Office results in noncompliance with the Illinois administrative Code and could result in improper approval of loans. (Finding Code No. 2023-006)

Recommendation

We recommend the Authority receive and retain documentation to support the approval from the Office before granting new loans.

Authority Response

The Authority accepts the external auditor's recommendation. The Authority will work to further enhance its partnership with the Office to appropriately administer and document this local government life safety program. However, the Authority notes that it is subsidizing this program, and thus staff resources to administer it are strained.

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2023**

Prior Findings not Repeated

A. Finding: Control over Property and Equipment

During the prior examination, the Authority did not fully comply with requirements applicable to its property and equipment.

Disposition:

During the current examination, we noted the Authority made significant improvements in controls related to property and equipment. The exceptions identified this year will be reported within the immaterial letter. (Finding Code No. 2021-004, 2019-005)

B. Finding: Inaccurate Quarterly Summary of Accounts Receivable

During the prior examination, the Authority did not have adequate controls over the preparation of its quarterly accounts receivable reports.

Disposition:

During the current examination, we noted controls had been implemented which reduced the number of errors with the preparation of quarterly accounts receivable reports. The exceptions identified this year will be reported within the immaterial letter. (Finding Code No. 2021-006)

C. Finding: Noncompliance with the Illinois Environmental Facilities Financing Act

During the prior examination, the Authority did not comply with the Illinois Environmental Facilities Financing Act.

Disposition:

During the current examination, we noted there were no projects financed under the Illinois Environmental Facilities Act and the Authority was not required to and did not submit a report to the General Assembly, Governor, or Commission on Government Forecasting and Accountability. (Finding Code No. 2021-007)

D. Finding: Lack of Adequate Controls over the Review of Internal Controls for Service Providers

During the prior examination, the Authority had not implemented adequate controls over its service providers.

Disposition:

During the current examination, we noted the Authority was able to properly identify service providers utilized and the reports reviewed for internal controls. (Finding Code No. 2021-008)