



STATE OF ILLINOIS  
**OFFICE OF THE  
 AUDITOR GENERAL**

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**ILLINOIS FINANCE AUTHORITY**

State Compliance Examination  
 For the Two Years Ended June 30, 2021

Release Date: March 29, 2022

FINDINGS THIS AUDIT: 8	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	1	1	2019		21-4	
Category 2:	4	3	7	2017		21-5	
Category 3:	0	0	0	2013	21-1		
TOTAL	4	4	8	2010		21-3	
FINDINGS LAST AUDIT: 6							

**INTRODUCTION**

This digest covers the Illinois Finance Authority’s (Authority) compliance examination for the two years ended June 30, 2021. A separate financial audit as of and for the year ended June 30, 2021, was previously released on December 22, 2021. In total, this report contains 6 findings, none of which were reported within the Authority’s financial audit.

**SYNOPSIS**

- (21-1) The 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.
- (21-3) The Authority did not timely and accurately submit transaction reporting for bond principal and interest payments to the Office of the State Comptroller.

**Category 1:** Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).

**Category 2:** Findings that are **significant deficiencies** in internal control and **noncompliance** with State laws and regulations.

**Category 3:** Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

**ILLINOIS FINANCE AUTHORITY  
COMPLIANCE EXAMINATION  
For the Two Years Ended June 30, 2021**

<b>FINANCIAL INFORMATION (unaudited)</b>	<b>2021</b>	<b>2020</b>	<b>2019</b>
	<b>Principal Outstanding</b>	<b>Principal Outstanding</b>	<b>Principal Outstanding</b>
<b>*Schedule of Conduit Debt (in thousands).....</b>			
<u>Illinois Finance Authority</u>			
Revenue Bonds.....	\$ 21,500,007	\$ 21,701,443	\$ 21,598,671
Notes.....	59,028	62,590	215,069
Recovery Zone Facilities & Midwest Disaster Area.....	49,999	232,445	193,062
Leases.....	1,576	1,854	2,121
Beginning Farmer Bonds.....	39,854	45,308	47,823
Total Illinois Finance Authority.....	<u>\$ 21,650,464</u>	<u>\$ 22,043,640</u>	<u>\$ 22,056,746</u>
<u>Predecessor Authorities</u>			
<u>Illinois Development Finance Authority</u>			
501(c) 3 Not-for-Profit Bonds and Leases.....	\$ 327,267	\$ 332,920	\$ 404,657
Environmental Bonds.....	30,000	30,000	47,505
Industrial Revenue Bonds.....	45,495	53,986	63,514
Housing and Infrastructure Bonds.....	1,811	18,189	110,491
Leases.....	496	496	496
Total Illinois Development Finance Authority.....	<u>\$ 405,069</u>	<u>\$ 435,591</u>	<u>\$ 626,663</u>
Illinois Health Facilities Authority	12,920	18,070	98,790
Illinois Educational Facilities Authority	193,238	213,405	432,507
Illinois Farm Development Authority	4,443	5,830	8,169
Total Predecessor Authorities.....	<u>\$ 615,670</u>	<u>\$ 672,896</u>	<u>\$ 1,166,129</u>
<b>Grand Total Illinois Finance Authority</b>	<u><u>\$ 22,266,134</u></u>	<u><u>\$ 22,716,536</u></u>	<u><u>\$ 23,222,875</u></u>
Total Number of Issues Outstanding.....	927	1,014	1,087
* - The Authority issues federally tax exempt conduit bonds which pose no risk or little risk to the Authority's funds. The obligations to repay the debt belongs to the borrower, not the Authority or the State of Illinois. See Page 30 of the Compliance Report for further details.			
<b>Average Number of Employees (Unaudited).....</b>	<b>20.1</b>	<b>23.4</b>	<b>23.6</b>

<b>EXECUTIVE DIRECTOR</b>	
During Examination Period: Mr. Christopher Meister	
Currently: Mr. Christopher Meister	

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### INTERNAL AUDIT

The Authority did not have an appropriate full-time internal audit program in place during the examination period.

**The Authority entered into an intergovernmental agreement with CMS to act as the Chief Internal Auditor**

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.

**The Attorney General's Office stated that each internal auditor will serve only one designated agency**

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". (Finding 1, pages 8-9) **This finding has been repeated since 2013.**

We recommended 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 agreed with the auditors**

Authority officials accepted our recommendations.

### **DELINQUENT AND INACCURATE REPORTING OF BOND ACTIVITY**

The Authority did not timely and accurately submit transaction reporting for bond principal and interest payments to the Office of the State 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 the following:

**C-08's were submitted between 1 and 283 days late**

- 39 of the 139 (28%) Form C-08s tested were submitted to the Office of the State Comptroller between 2 and 363 days late. For each of the issues tested, the Authority had agreements in place for the paying agents to file the Form C-08 within the required timeframe.

**Form C-08 did not agree with the balance in the Authority's records**

- 3 of the 40 (8%) bonds tested, the respective fiscal year-end balance on the Form C-08 differed from what was reported as the outstanding fiscal year-end balance in the Authority's records. (Finding 3, pages 12-13) **This finding has been repeated since 2010.**

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

**Authority agreed with the auditors**

Authority officials accepted our recommendations.

### **OTHER FINDINGS**

The remaining findings pertain to weaknesses in cybersecurity programs and practices, property and equipment, inaccurate accounts receivable reporting, lack of review of service providers, and noncompliance with the Illinois Finance Authority Act and the Illinois Environmental Facilities Financing Act and are reportedly being given attention by the Authority. We will review the Authority's progress towards the implementation of our recommendations in our next compliance examination.

**AUDITOR’S OPINION**

The auditors stated the financial statements of the Illinois Finance Authority as of and for the year ended June 30, 2021 are fairly stated in all material respects.

**ACCOUNTANT’S OPINION**

The accountants conducted a compliance examination of the Illinois Finance Authority for the two years ended June 30, 2021, as required by the Illinois State Auditing Act. The accountants stated the Authority complied, in all material respects, with the requirements described in the report.

The compliance examination was conducted by RSM US LLP.

**SIGNED ORIGINAL ON FILE**

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JANE CLARK  
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

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