



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, 2023

Release Date: April 4, 2024

FINDINGS THIS AUDIT: 6				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	<u>Repeated Since</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
Category 1:	1	1	2	2021		23-3	
Category 2:	1	3	4	2017		23-4	
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>	2013	23-2		
TOTAL	2	4	6	2010		23-5	
FINDINGS LAST AUDIT: 8							

INTRODUCTION

This digest covers the Illinois Finance Authority’s (Authority) compliance examination for the two years ended June 30, 2023. A separate financial audit as of and for the year ended June 30, 2023, was previously released on February 6, 2024. In total, this report contains 6 findings, one of which was reported within the Authority’s financial audit.

SYNOPSIS

- **(23-2)** 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.
- **(23-5)** The Authority did not timely and accurately submit transaction reporting for bond principal and interest payments to the Office of 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.

**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 2, pages 9-10)
This finding has been reported 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 accepted the finding

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 Comptroller.

C-08's were submitted between 1 and 417 days late

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-08s 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 file the Form C-08 within the required timeframe. **This finding has been reported 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 accepted the finding

Authority officials accepted our recommendations.

OTHER FINDINGS

The remaining findings 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, 2023 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, 2023, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Findings 2023-001 and 2023-002. Except for the noncompliance described in these findings, 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

JANE CLARK
Division Director

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

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FRANK J. MAUTINO
Auditor General

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