

**STATE OF ILLINOIS
ILLINOIS FINANCE AUTHORITY**

**COMPLIANCE EXAMINATION
FOR THE TWO YEARS ENDED JUNE 30, 2025**

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, 2025**

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**State of Illinois
Illinois Finance Authority**

**Compliance Examination
For the Two Years Ended June 30, 2025**

Agency Officials

Chair of the Authority	Mr. Will Hobert
Executive Director	Mr. Christopher Meister
Chief Operating Officer (November 1, 2024 – Present)	Mr. Sanjay Patel
Deputy General Counsel (August 31, 2024 – January 15, 2026)	Mr. Matt Stonecipher
Deputy General Counsel (January 16, 2026 – Present)	Mr. Mark Meyer
Senior Vice President of Finance & Administration	Ms. Ximena Granda
General Counsel (July 15, 2015 – February 11, 2025)	Ms. Elizabeth Fleming Weber

Members of the Illinois Finance Authority during the period were as follows:

Member (August 28, 2023 – December 2, 2024)	Ms. Susan Abrams
Member	Mr. Drew Beres
Member	Ms. Karen Caldwell
Member (April 6, 2005 – November 10, 2025)	Mr. James J. Fuentes
Member	Mr. Will Hobert
Member	Ms. Arlene Juracek
Member	Mr. Steven Landek
Member	Ms. Lynn Sutton
Member	Ms. Roxanne Nava
Member	Mr. Ameya Pawar
Member	Mr. Roger E. Poole
Member	Mr. Timothy Ryan
Member	Mr. Michael Strautmanis
Member	Mr. J. Randal Wexler
Member	Mr. Bradley Zeller
Member (January 12, 2026 – Present)	Mr. Douglas E. House
Member (January 26, 2026 – Present)	Ms. Tiffany Mathis Posey



160 North LaSalle St.
Suite S-1000
Chicago, IL 60601
312-651-1300
312-651-1350 fax
www.il-fa.com

April 10, 2026

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, 2025. Based on this evaluation, we assert that during the years ended June 30, 2024, and June 30, 2025, 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

8485031EBA14404
Christopher Meister, Executive Director

SIGNED ORIGINAL ON FILE

4076E872A5884E2
Ximena Granda, SVP of Finance and Administration

**State of Illinois
Illinois Finance Authority**

**Compliance Examination
For the Two Years Ended June 30, 2025**

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 two significant deficiencies over internal control over compliance.

SUMMARY OF FINDINGS

<u>Number of</u>	<u>Current Report</u>	<u>Prior Report</u>
Findings	4	6
Repeated Findings	3	4
Prior Recommendations Implemented or Not Repeated	3	4

SCHEDULE OF FINDINGS

Item No	Page	Last/First Reported	Description	Finding Type
Current Findings				
2025-001	8	NEW	Internal Controls over Allowable Costs/Activities	Material Weakness and Material Noncompliance
2025-002	9	2023/2013	Internal Audit	Material Weakness and Material Noncompliance
2025-003	11	2023/2021	Weaknesses in Cybersecurity Programs and Practices	Significant Deficiency and Noncompliance
2025-004	13	2023/2010	Delinquent and Inaccurate Reporting of Bond Activity	Significant Deficiency and Noncompliance
Prior Year Findings Not Repeated				
A.	14	2023/2023	Cybersecurity Incident Involving Unauthorized Access	
B.	14	2023/2017	Noncompliance with the Illinois Finance Authority Act	
C.	14	2023/2023	Missing Approval for New Loans	

**State of Illinois
Illinois Finance Authority**

**Compliance Examination
For the Two Years Ended June 30, 2025**

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Authority personnel at an exit conference on April 7, 2026.

In attendance were:

Illinois Finance Authority

Ximena Granda, SVP of Finance and Administration
Sanjay Patel, Chief Operating Officer

Office of the Auditor General

Dennis Gibbons, Assistant Director of Financial and Compliance Audits

RSM US LLP

Dan Sethness, Partner
Katie Rodriguez, Senior Manager

The responses to the recommendations were provided by Sanjay Patel, Chief Operating Officer, in a correspondence dated April 8, 2026.

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 the Illinois Finance Authority's (Authority) compliance 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, 2025. Management of the Authority is responsible for the Authority's 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, in all material respects, with the specified requirements referenced above. 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 requirement applicable to the Authority during the two years ended June 30, 2025. As described in the accompanying schedule of findings as items 2025-001 and 2025-002, the Authority had 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 described in the preceding paragraph, the Authority complied, in all material respects, with the aforementioned requirements during the two years ended June 30, 2025. 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 2025-003 and 2025-004.

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's responses to the noncompliance 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 over compliance 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 over the specific requirements as a basis for designing 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* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that 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 2025-001 and 2025-002 to be material weaknesses.

A *significant deficiency* 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 items 2025-003 and 2025-004 to be significant deficiencies.

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

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's responses to the internal control findings identified in our examination 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 over compliance 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
April 10, 2026

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2025**

Finding 2025-001 Internal Controls over Allowable Costs/Activities

The Illinois Finance Authority (Authority) had weaknesses in its internal controls over reviews of allowable costs and activities.

Out of the 13 payroll transactions and 4 indirect cost transactions tested for allowable activities and costs, we were unable to obtain documentation to support that controls were in place to review for allowable activities and costs prior to applying to the grant for all (100%) of the transactions.

The sample was not intended to be, and was not, a statistically valid sample.

Uniform Grant Guidance (2 CFR 200.303) requires nonfederal entities receiving Federal awards to establish and maintain internal controls designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Authority officials indicated this issue was due to the size of the Authority, there was a lack of segregation of duties or documentation to support reviews.

Without a proper internal control system to support reviews performed over allowable costs and activities, the Authority risks submitting unallowable costs, which could result in a loss of future funding. (Finding Code No. 2025-001)

Recommendation

We recommend the Authority develop and document controls for ensuring expenditures applied to the grant are allowable.

Authority's Response

The Authority accepts single audit finding 2025-001 Internal Controls over Allowable Costs/Activities.

The Authority has implemented a process and related internal controls and appropriate segregation of duties to ensure Authority financial transactions (i.e., expenditures applied to corresponding grants are allowable; month-end financial entries; etc.) are appropriately prepared, reviewed, authorized, and recorded.

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2025**

Finding 2025-002 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, RSM 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 indicated that 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. 2025-002, 2023-002, 2021-001, 2019-001, 2017-003, 2015-005 and 2013-006)

**State of Illinois
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**Schedule of Findings
For the Two Years Ended June 30, 2025**

Finding 2025-002 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's Response

The Authority accepts compliance audit finding 2025-002 and recommendation.

Under the current mandated specific statutory qualifications and general overall uncertainty across market sectors, it remains challenging to recruit a chief internal auditor that meets the minimum qualifications and possesses the necessary state experience to ensure the Authority establishes and maintains integrity in its internal control environment and overall appropriate governance across all Authorities operations. The Authority plans to include a chief internal auditor position, consistent with addressing this finding, in its proposed FY2027 budget.

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2025**

Finding 2025-003 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 its 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 project management framework to ensure new applications were adequately developed and implemented in accordance with management's expectations.
- Developed a risk management framework and 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 during fiscal year 2024.

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 the Authority 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. 2025-003, 2023-003, 2021-002)

**State of Illinois
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**Schedule of Findings
For the Two Years Ended June 30, 2025**

Finding 2025-003 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 project management framework to ensure new applications are adequately developed and implemented.
- Develop a risk management framework and 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's Response

The Authority accepts compliance audit finding 2025-003 and recommendations.

Though remediation occurred during FY25, FY26 and is ongoing, below are examples of the specific actions taken to mitigate weaknesses. Drafted new policies with specific plans for implementation by June 30, 2026, including but not limited to change management, project management, cybersecurity, completed technology risk assessment, required all employees and contractors to review policies, implemented new software tool for monitoring all IFA infrastructure, implementing 24/7 security operations center (includes human interventions), and cybersecurity software tools to proactively detect and contain cybersecurity incidents, and software tools for ongoing monitor of vulnerabilities. Configured government notification service for real-time alerts emails from CISA (Cybersecurity and Infrastructure Security Agency) with the ability to take immediate action. IFA also established a cybersecurity risk steering committee, reporting to the Executive Director/Interim Executive Director.

**State of Illinois
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**Schedule of Findings
For the Two Years Ended June 30, 2025**

Finding 2025-004 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 296 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 48 of the 296 (16%) Form C-08's tested were submitted to the Office of Comptroller between 1 and 181 days late. In addition, 3 of the 296 (1%) Form C-08's were not submitted to the Office of Comptroller. 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) Manual (Procedure 31.30.20) requires Form C-08 to 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 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 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 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. 2025-004, 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.

Authority's Response

The Authority accepts compliance audit finding 2025-004 and recommendation.

The Authority receives over 5,000 C-08 forms each fiscal year and continues to improve this mandated process year over year. The Authority actively monitors and works closely with paying agents/trustees and the Illinois Office of the Comptroller to enhance bond activity reporting. In addition, the Authority is implementing a weekly email reminder to paying agents/trustees for any outstanding C-08 forms until they are received.

**State of Illinois
Illinois Finance Authority**

**Schedule of Findings
For the Two Years Ended June 30, 2025**

Prior Findings Not Repeated

A. Cybersecurity Incident Involving Unauthorized Access

During the prior examination, the Authority experienced a network security incident that involved an unauthorized party gaining access to the Authority's network environment.

During the current examination, we noted the Authority made significant improvements in controls related to cybersecurity authorization with no instances of unauthorized access. (Finding Code No. 2023-001)

B. Noncompliance with the Illinois Finance Authority Act

During the prior examination, the Authority did not comply with the Illinois Finance Authority Act.

During the current examination, we noted the fiscal year 2023 and 2024 financial statements were sent timely to the Governor, Secretary of State, Comptroller, and General Assembly. (Finding Code No. 2023-004, 2021-005, 2019-006, 2017-008)

C. Missing Approval for New Loans

During the prior examination, the Authority did not receive approval from the Office of the State Fire Marshal for new loan issuances.

During the current examination, our sample testing indicated the Authority received approval from the Office of the State Fire Marshal for new loan issuances. (Finding Code No. 2023-006)