



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

**OFFICE OF THE TREASURER –
 THE ILLINOIS FUNDS**

**Financial Audit
 For the Year Ended June 30, 2022**

Release Date: April 13, 2023

FINDINGS THIS AUDIT: 2	New	Repeat	Total	AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	1	1	2020	1		
Category 2:	1	0	0				
Category 3:	0	0	0				
TOTAL	0	1	1				
FINDINGS LAST AUDIT: 1							

SYNOPSIS

- **(22-01)** The Office had inadequate internal controls over the Office’s Illinois Funds Program financial statement preparation and review process, specifically the determination of proper financial reporting for the external portion of The Illinois Funds program.

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.

OFFICE OF THE TREASURER - THE ILLINOIS FUNDS
FINANCIAL AUDIT
For the Year Ended June 30, 2022

STATEMENTS OF FIDUCIARY NET POSITION	2022	2021
Assets		
Repurchase Agreements.....	\$ 555,239,398	\$ 378,859,677
Commercial Paper	2,012,110,306	938,963,031
Money Market Mutual Funds.....	1,375,150,883	1,824,973,653
U.S. Treasury Bills	128,008,069	87,427,210
U.S. Treasury Notes	149,605,123	43,723,412
U.S. Agency Obligations		
Federal Home Loan Bank Debentures.....	102,204,819	88,301,213
Federal Farm Credit Bureau Debentures.....	571,440,017	457,014,298
Supranational Notes.....	634,065,032	238,128,435
Corporate Bonds.....	1,325,683,978	1,034,601,170
Accrued Interest Receivable.....	13,554,686	7,743,480
Total Assets.....	<u>6,867,062,311</u>	<u>5,099,735,579</u>
Liabilities		
Bank Custodial Fees Payable.....	134,727	130,322
State Management Fees Payable.....	406,801	339,040
Total Liabilities	<u>541,528</u>	<u>469,362</u>
Net Position Held in Trust for Pool Participants.....	<u>\$ 6,866,520,783</u>	<u>\$ 5,099,266,217</u>
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION	2022	2021
Revenues		
Investment Earnings.....	<u>\$ 22,358,437</u>	<u>\$ 11,134,919</u>
Expenses		
Bank Custodial Fees.....	1,309,301	1,440,079
State Management Fees.....	2,453,794	2,281,219
Total Expenses.....	<u>3,763,095</u>	<u>3,721,298</u>
Net Investment Earnings / Dividends to Participants.....	18,595,342	7,413,621
Share Transactions		
Subscriptions.....	14,668,517,004	11,785,312,121
Reinvestments.....	15,187,912	4,287,259
Redemptions.....	<u>(12,916,450,350)</u>	<u>(10,980,983,318)</u>
Change in Net Position.....	1,767,254,566	808,616,062
Net Position, Beginning of Year.....	5,099,266,217	4,290,650,155
Net Position, End of Year.....	<u>\$ 6,866,520,783</u>	<u>\$ 5,099,266,217</u>
TREASURER		
During Engagement Period: Honorable Michael Frerichs		
Currently: Honorable Michael Frerichs		

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INADEQUATE INTERNAL CONTROLS RELATED TO REVIEW OF FINANCIAL STATEMENTS

The Office had inadequate internal controls over the Office's Illinois Funds Program financial statement preparation and review process, specifically the determination of proper financial reporting for the external portion of The Illinois Funds program.

One external account, totaling \$46,077,950, was excluded from their calculation of the external portion

To determine the external portion of the fund in accordance with Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, the Office identified internal and external participant account values. During our review of the financial statements we noted the Office incorrectly included one internal account, totaling \$3,021,410, and excluded one external account, totaling \$46,077,950, within their calculation of the external portion, for a net error totaling \$43,056,540. This error led to the misstatement of all accounts on the Statements of Fiduciary Net Position and the Statements of Changes in Fiduciary Net Position and resulted in various errors in the Notes to the Financial Statements and Supplementary Information. As of June 30, 2022, the Net Position Held in Trust for Pool Participants, including the internal and external participants, was \$16,077,483,986. (Finding 1, pages 64-65)

The Office corrected the errors noted above.

We recommended the Office improve controls over the financial reporting process of the Illinois Funds Program, specifically:

- Verify accuracy of all information reported.
- Verify external account value agrees to underlying support.
- Verify amounts reported agree between statements, note disclosures, and supplementary information.

Office agreed

The Office accepted the recommendations.

OTHER FINDING

The remaining finding pertains to internal controls over external service providers. We will review the Office's progress towards the implementation of our recommendations in our next financial audit.

AUDITOR'S OPINION

The auditors stated the financial statements of the Program as of and for the years ended June 30, 2022, and June 30, 2021, are fairly stated in all material respects.

This financial audit was conducted by Crowe 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.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:skm