



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**OFFICE OF THE TREASURER –  
 COLLEGE SAVINGS PROGRAM**

**Financial Audit  
 For the Year Ended June 30, 2020**

**Release Date: February 17, 2021**

FINDINGS THIS AUDIT: 1				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
<b>Category 1:</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>No Repeat Findings</b>			
<b>Category 2:</b>	<b>1</b>	<b>0</b>	<b>1</b>				
<b>Category 3:</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>TOTAL</b>	<b>1</b>	<b>0</b>	<b>1</b>				
<b>FINDINGS LAST AUDIT: 0</b>							

**SYNOPSIS**

- (20-01) The Office had inadequate internal controls over the College Savings Program financial statement preparation and review process.

**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 - COLLEGE SAVINGS PROGRAM**  
**FINANCIAL AUDIT**  
**For the Year Ended June 30, 2020**

<b>STATEMENTS OF FIDUCIARY NET POSITION</b>	<b>2020</b>	<b>2019</b>
Assets:		
Cash and Cash Equivalents.....	\$ 991,409,140	\$ 856,504,092
Capital Shares Receivable.....	15,508,277	16,937,273
Dividends Receivable.....	9,893,088	11,477,073
Mutual Funds.....	11,969,606,366	11,091,855,502
Total Assets.....	<u>\$ 12,986,416,871</u>	<u>\$ 11,976,773,940</u>
Liabilities and Net Position:		
Capital Shares Payable.....	\$ 13,114,997	\$ 14,905,240
Other Liabilities.....	11,805,203	8,600,046
Total Liabilities.....	<u>24,920,200</u>	<u>23,505,286</u>
Net Position Held in Trust for Participants.....	<u>12,961,496,671</u>	<u>11,953,268,654</u>
Total Liabilities and Net Position.....	<u>\$ 12,986,416,871</u>	<u>\$ 11,976,773,940</u>

<b>STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION</b>	<b>2020</b>	<b>2019</b>
Additions		
Investment Income (Expense):		
Investment Earnings.....	\$ 318,751,535	\$ 337,224,902
Net Change in Fair Value of Investments .....	87,519,403	270,716,505
State Administrative Fees.....	(2,370,208)	(2,188,685)
12b-1 Fees.....	(15,726,929)	(14,564,175)
Other Operating Expenses.....	(3,781)	(4,042)
Management and Bank Custodial Fees.....	(13,357,502)	(12,415,923)
Net Investment Earnings.....	<u>374,812,518</u>	<u>578,768,582</u>
Other participant transactions:		
Program Contributions.....	1,632,971,160	1,477,458,270
Total Increase from Participant Transactions.....	<u>1,632,971,160</u>	<u>1,477,458,270</u>
Total Additions.....	2,007,783,678	2,056,226,852
Deductions		
Program Distributions.....	999,555,661	883,456,585
Total Deductions.....	<u>999,555,661</u>	<u>883,456,585</u>
Change in Net Position.....	1,008,228,017	1,172,770,267
Net Position, Beginning of Fiscal Year.....	<u>11,953,268,654</u>	<u>10,780,498,387</u>
Net Position, End of Fiscal Year.....	<u>\$ 12,961,496,671</u>	<u>\$ 11,953,268,654</u>

<b>SELECTED ACTIVITY MEASURES (unaudited)</b>	<b>2020</b>	<b>2019</b>
Number of Illinois Participants (Bright Start).....	218,276	202,069
Balance of Illinois Participants (Bright Start).....	\$ 6,065,849,150	\$ 5,447,656,415
Number of Out of State Participants (Bright Start).....	37,256	32,847
Balance of Out of State Participants (Bright Start).....	\$ 1,094,649,565	\$ 961,021,302
Number of Illinois Participants (Bright Directions).....	172,389	157,179
Balance of Illinois Participants (Bright Directions).....	\$ 3,848,792,616	\$ 3,646,880,424
Number of Out of State Participants (Bright Directions).....	41,324	34,922
Balance of Out of State Participants (Bright Directions).....	\$ 1,952,436,672	\$ 1,898,263,803

**STATE TREASURER**  
During Audit 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 College Savings Program financial statement preparation and review process.

During testing of the Office's College Savings Program financial statements and notes to the financial statements, we noted the Office:

**In Note 2, the Bright Directions Interest Rate and Credit Risk disclosure understated the Money Market and Fixed Income Funds by \$274,102,862**

**The Office was unable to provide documentation that due diligence procedures were performed on support provided by the Program Manager**

- Did not properly include two new funds in Note 2, Investments. The Bright Directions Interest Rate and Credit Risk disclosure reported the June 30, 2020 Money Market and Fixed Income Funds as \$2,456,435,244, but the total should have been reported as \$2,730,538,106, an understatement of \$274,102,862.
- Was unable to provide adequate documentation the Office performed due diligence procedures on the support provided by the College Savings Program Manager in the preparation of the financial statements and supplementary information. The Office utilized Excel spreadsheets prepared by the Program Manager to develop the financial reporting package, but did not perform procedures to verify the spreadsheets agreed to the underlying support (Finding 1, pages 140-141).

We recommend the Office improve controls over the College Savings Program financial reporting process as follows:

- Perform and document due diligence procedures to verify the accuracy of underlying financial reporting support provided by the Program Manager.
- Perform procedures to analyze underlying financial data, including investment changes, to ensure amounts are properly reported.

**The Office accepts the finding**

The Office accepted the recommendation and stated they will examine the review and documentation procedures of Program Manager support used in preparation of the financial statements for improvement.

### AUDITOR'S OPINION

The auditors stated the financial statements of the Office of the Treasurer, College Savings Program as of and for the year ended June 30, 2020, are fairly stated in all material respects.

This financial audit was conducted by Crowe 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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