



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, 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
Category 1:	1	0	1	No Repeat Findings			
Category 2:	0	0	0				
Category 3:	0	0	0				
<b>TOTAL</b>	<b>1</b>	<b>0</b>	<b>1</b>				
FINDINGS LAST AUDIT: 1							

**SYNOPSIS**

- **(20-01)** The Office had inadequate internal controls over the Office’s Illinois Funds Program financial statement 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 - THE ILLINOIS FUNDS**  
**FINANCIAL AUDIT**  
**For the Year Ended June 30, 2020**

<b>STATEMENTS OF FIDUCIARY NET POSITION</b>	<b>2020</b>	<b>2019</b>
<b>Assets</b>		
Repurchase Agreements.....	\$ 600,019,028	\$ 1,600,415,375
Commercial Paper .....	1,631,022,238	1,846,697,319
Money Market Mutual Funds.....	2,078,335,089	400,180,132
U.S. Treasury Bills .....	274,847,976	-
U.S. Treasury Notes .....	75,041,289	74,883,688
<b>U.S. Agency Obligations</b>		
Federal Home Loan Bank Debentures.....	385,034,355	449,999,941
Federal Home Loan Mortgage Corporation Notes.....	90,000,000	201,965,013
Federal Home Loan Mortgage Corporation Discount Notes.....	99,972,916	-
Federal Home Loan Bank Discount Notes.....	24,981,892	34,824,067
Federal National Mortgage Association Debentures.....	29,941,880	13,000,000
Federal Farm Credit Banks Discount Notes.....	-	39,836,722
Federal Farm Credit Bureau Debentures.....	677,096,406	435,498,598
Certificates of Deposit.....	120,065,400	-
Supranational Notes.....	154,594,876	234,546,939
Corporate Bonds.....	759,443,743	276,098,376
Accrued Interest Receivable.....	5,398,671	7,379,542
<b>Total Assets.....</b>	<b>7,005,795,759</b>	<b>5,615,325,712</b>
<b>Liabilities</b>		
Bank Custodial Fees Payable.....	650,787	343,068
State Management Fees Payable.....	479,838	225,363
<b>Total Liabilities .....</b>	<b>1,130,625</b>	<b>568,431</b>
Net Position Held in Trust for Pool Participants.....	<b>\$ 7,004,665,134</b>	<b>\$ 5,614,757,281</b>
<b>STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION</b>	<b>2020</b>	<b>2019</b>
<b>Revenues</b>		
Investment Earnings.....	\$ 109,565,223	\$ 136,610,905
<b>Expenses</b>		
Bank Custodial Fees.....	2,063,073	2,213,898
State Management Fees.....	3,170,602	3,034,595
<b>Total Expenses.....</b>	<b>5,233,675</b>	<b>5,248,493</b>
Net Investment Earnings / Dividends to Participants.....	104,331,548	131,362,412
<b>Share Transactions</b>		
Subscriptions.....	25,892,976,915	26,033,159,879
Reinvestments.....	96,914,893	123,664,130
Redemptions.....	(24,599,983,955)	(26,112,574,445)
Change in Net Position.....	1,389,907,853	44,249,564
Net Position, Beginning of Year.....	5,614,757,281	5,570,507,717
Net Position, End of Year.....	<b>\$ 7,004,665,134</b>	<b>\$ 5,614,757,281</b>
<b>SELECTED ACTIVITY MEASURES</b>	<b>2020</b>	<b>2019</b>
Total Number of Participants.....	1,516	1,533
Number of State of Illinois Participants.....	24	24
Balance of State of Illinois Investments, end of year.....	\$ 2,707,318,456	\$ 1,916,803,244
Number of Employees, full time equivalents.....	16	18
<b>TREASURER</b>		
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 review process.

During testing of the Office's Illinois Funds Program financial statements, various errors were identified in the draft financial statements provided, specifically:

**In Note 2, the fair value of investments held at June 30, 2019 was overstated by \$358,530,000**

- In the Notes to the Financial Statements, Note 2. Deposits and Investments, the fiscal year 2019 table summarizing the fair value of investments held at June 30, 2019 overreported the carrying amount for Farm Credit Discount Notes by \$358,530,000. The amount was reported as \$398,366,722 but should have been \$39,836,722. As a result, total deposits and investments reported in Note 2 as of June 30, 2019 were also overstated by \$358,530,000.

**In Note 2, the investments within the fair value hierarchy were understated by \$1,279,211**

- In the Notes to the Financial Statements, Note 2. Deposits and Investments, the fiscal year 2020 table summarizing the Illinois Funds' investments within the fair value hierarchy reported carrying value instead of fair value for all investments. The total amount reported was understated by \$1,279,211 as the amount reported was \$7,000,331,688 but should have been \$7,001,610,899.

**In Note 2, the Credit Risk Note incorrectly included information from fiscal year 2018**

- In the Notes to the Financial Statements, Note 2. Deposits and Investments, the Credit Risk Note incorrectly included information from fiscal year 2018 as fiscal year 2019 information.

- On the Statement of Fiduciary Net Position, the fiscal year 2019 unamortized premiums and unaccreted discounts for Supranational Notes and Corporate Bonds were switched. The amount reported for Supranational Notes should have been \$532,523 but was reported as \$601,188 and the amount for Corporate Bonds should have been \$601,188 but was reported as \$532,523.

**On the Statement of Fiduciary Net Position, Certificates of Deposit did not include accrued interest of \$65,400**

- On the Statement of Fiduciary Net Position, Certificates of Deposit did not include the interest accrued since purchase date of \$65,400.

- In the Notes to the Financial Statements, Note 5. Related Parties cash balance disclosures for the Illinois Funds' Administrative Fund were not updated

for fiscal year 2020. The prior year fiscal year report (2019 and 2018) balances were reported as June 30, 2020 and 2019 balances.

- On the Condensed Statement of Fiduciary Net Position by Investor Type, Net Position did not agree to the amount report for Net Position on the Statement of Fiduciary Net Position or the amount reported on the Condensed Statement of Changes in Fiduciary Net Position by Investor Type. The amount did not agree by \$1.
- On the Statement of Fiduciary Net Position, the unamortized premium for fiscal year 2019 Supranational Notes was reported as a discount.
- On the Statement of Fiduciary Net Position, the Money Market Mutual Funds did not disclose the unamortized premium, of \$470,032. In addition, the Notes to the Financial Statements, Note 1. Summary of Significant Accounting Policies, did not properly disclose the presentation of Money Market Mutual Funds.

**On the Statement of Fiduciary Net Position, the Money Market Mutual Funds did not disclose the unamortized premium, of \$470,032**

The Office has corrected all errors noted above. (Finding 1, pages 49-50)

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

- Verify accuracy of all information reported.
- Verify prior fiscal year information reported within the financial statements, notes and supplementary information agrees to the prior fiscal year audit report.
- Verify all amounts within the financial statements, notes, and supplementary information have been updated.
- Verify amounts reported agree between statements and note schedules.

**The Office accepts the finding**

The Office accepted the recommendation and stated they will examine review procedures of both current and prior financial statement information and footnotes for improvement.

**AUDITOR'S OPINION**

The auditors stated the financial statements of the Office of the Treasurer, The Illinois Funds 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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