



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, 2021**

Release Date: April 6, 2022

FINDINGS THIS AUDIT: 1	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:	0	0	0				
Category 3:	0	0	0				
TOTAL	0	1	1				
FINDINGS LAST AUDIT: 1							

SYNOPSIS

- **(21-01)** 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, 2021

STATEMENTS OF FIDUCIARY NET POSITION	2021	2020 (Restated)
Assets		
Repurchase Agreements.....	\$ 378,859,677	\$ 367,536,748
Commercial Paper	938,963,031	999,069,331
Money Market Mutual Funds.....	1,824,973,653	1,273,067,159
U.S. Treasury Bills	87,427,210	168,355,879
U.S. Treasury Notes	43,723,412	45,965,928
U.S. Agency Obligations		
Federal Home Loan Bank Debentures.....	88,301,213	235,849,644
Federal Home Loan Mortgage Corporation Notes.....	-	55,128,764
Federal Home Loan Mortgage Corporation Discount Notes.....	-	61,237,592
Federal Home Loan Bank Discount Notes.....	-	15,302,454
Federal National Mortgage Association Debentures.....	-	18,340,654
Federal Farm Credit Bureau Debentures.....	457,014,298	414,749,865
Certificates of Deposit.....	-	73,545,079
Supranational Notes.....	238,128,435	94,695,827
Corporate Bonds.....	1,034,601,170	465,191,053
Accrued Interest Receivable.....	7,743,480	3,306,686
Total Assets.....	5,099,735,579	4,291,342,663
Liabilities		
Bank Custodial Fees Payable.....	130,322	398,607
State Management Fees Payable.....	339,040	293,901
Total Liabilities	469,362	692,508
Net Position Held in Trust for Pool Participants.....	\$ 5,099,266,217	\$ 4,290,650,155
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION	2021	2020 (Restated)
Revenues		
Investment Earnings.....	\$ 11,134,919	\$ 67,113,279
Expenses		
Bank Custodial Fees.....	1,440,079	1,263,719
State Management Fees.....	2,281,219	1,942,126
Total Expenses.....	3,721,298	3,205,845
Net Investment Earnings / Dividends to Participants.....	7,413,621	63,907,434
Share Transactions		
Subscriptions.....	11,785,312,121	14,842,727,713
Reinvestments.....	4,287,259	59,364,423
Redemptions.....	(10,980,983,318)	(14,307,067,981)
Change in Net Position.....	808,616,062	595,024,155
Net Position, Beginning of Year.....	4,290,650,155	3,695,626,000
Net Position, End of Year.....	\$ 5,099,266,217	\$ 4,290,650,155
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.

During fiscal year 2021, the Office implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, to present only the external portion of the fund on the financial statements. During review of the financial statements, the following errors were noted:

Ten internal accounts, totaling over \$15 million, were incorrectly included within their calculation of the external portion

- To determine the external portion, the Office identified internal and external participant account values. The Office incorrectly included ten internal accounts within their calculation of the external portion, totaling \$15,680,369. 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, 2021, the Net Position Held in Trust for Pool Participants, including the internal and external participants, was \$8,748,691,774.

In the Notes to the Financial Statements, the Office incorrectly stated fair value and carrying value of the repurchase agreements amounts as the total amount, including both internal and external portion.

- In the Notes to the Financial Statements, Note 2. Deposits and Investments, the Office incorrectly stated fair value and carrying value of the repurchase agreements amounts as the total amount, including both internal and external portion. The incorrect carrying value reported was \$650,000,000 and \$600,000,000, for 2021 and 2020, respectively. The carrying value was overstated by \$271,140,760 and \$232,474,908 for 2021 and 2020, respectively. The incorrect fair value reported was \$668,500,608 and \$650,061,826 for 2021 and 2020, respectively. The fair value was overstated by \$278,858,097 and \$273,310,736 in 2021 and 2020, respectively. (Finding 1, pages 65-66)

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 and note disclosures.

Office accepts the recommendations.

The Office accepted the recommendations and stated the Office will examine financial statement and footnote support, preparation, and review procedures for improvement.

AUDITOR'S OPINION

The auditors stated the financial statements of the Agency as of and for the years ended June 30, 2021, and June 30, 2020, 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

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