



ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)

State Compliance Examination

Year Ended June 30, 2021

Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

(With Independent Accountants' Report Thereon)

ILLINOIS STATE BOARD OF INVESTMENT
(An Internal Investment Pool of the State of Illinois)
State Compliance Examination
Year ended June 30, 2021

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ILLINOIS STATE BOARD OF INVESTMENT
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Agency Officials

AGENCY OFFICIALS

Executive Director / Chief Investment Officer	(7/1/2018 – Present)	Ms. Johara Farhadieh
Deputy Executive Director / General Counsel / Chief Compliance Officer	(7/1/2019 – Present)	Mr. Dipesh Mehta
Chief Financial Officer / Chief Operating Officer	(8/31/2020 – Present)	Mr. Jansen Hein
Portfolio Officer for Financial Reporting and Accounting	(2/10/2014 – Present)	Ms. Genette Bacon-Cordova

BOARD OFFICERS

Chair of the Board (9/27/2013 – 9/29/2021)	Justice Mary Seminara-Schostok
Chair of the Board (9/29/2021 – Present)	Terrence Healy
Vice Chair of the Board (1/12/2015 – Present)	Treasurer Michael W. Frerichs
Recording Secretary (3/29/2019 – 9/29/2021)	Gisela Attlan
Recording Secretary (9/29/2021 – Present)	Justice Mary Seminara-Schostok
Member at Large (12/5/2016 – Present)	Comptroller Susana A. Mendoza

BOARD MEMBERS

Trustee (3/29/2019 – Present)	Gisela Attlan
Trustee (5/1/2019 – Present)	Senator Robert Martwick
Trustee (9/9/2019 – Present)	Elizabeth Sanders
Trustee (3/29/2019 – Present)	Michael Tarnoff
Trustee (3/29/2019 – Present)	Jaye Williams

Illinois State Board of Investment Office is located at:

180 North LaSalle Street
Suite 2015
Chicago, Illinois 60601



KPMG LLP
Certified Public Accountants
200 East Randolph Street, Suite 5500
Chicago, IL 60601

January 31, 2022

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 Illinois State Board of Investment (ISBI). 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 ISBI's compliance with the following specified requirements during the one-year period ended June 30, 2021. Based on this evaluation, we assert that during the year ended June 30, 2021, ISBI has materially complied with the specified requirements listed below.

- A. ISBI 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. ISBI 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. ISBI 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 ISBI 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 ISBI on behalf of the State or held in trust by ISBI have been properly and legally administered, and the accounting and recordkeeping relating thereto is proper, accurate, and in accordance with law.

Yours truly,

Illinois State Board of Investment

Johara Farhadieh, *Executive Director/Chief Investment Officer*

Jansen Hein, *Chief Financial Officer/Chief Operating Officer*

Dipesh Mehta, *General Counsel/Chief Compliance Officer*

Genette Bacon, *Portfolio Officer for Financial Reporting and Accounting*

ILLINOIS STATE BOARD OF INVESTMENT
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State Compliance Examination

Year ended June 30, 2021

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 for Financial Audits and Compliance Attestation Engagements of Illinois State Agencies (Audit Guide)*.

Accountants' Reports

The Independent Accountants' Report on State Compliance and on Internal Control over Compliance does not contain scope limitations, disclaimers, or other significant nonstandard language.

Summary of Findings

Number of	Current report	Prior report
Findings	—	2
Repeated findings	—	1
Prior recommendations implemented or not repeated	2	2

Schedule of Findings

Current Year Findings

Item no.	Last/ First Reported	Page	Description	Finding type
None reported				

Prior Year Findings Not Repeated

Item no.	Last/ First Reported	Page	Description	Finding type
A	2020/2020	8	Financial Reporting Errors	Significant deficiency and noncompliance
B	2020/2019	8	Untimely Preparation of Employee Timesheets	Significant deficiency and noncompliance

Exit Conference

The Illinois State Board of Investment waived an exit conference in a correspondence from Jansen Hein, Chief Financial Officer/Chief Operating Officer, on January 18, 2022.



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Chicago, IL 60601-6436

Independent Accountants' Report on State Compliance and on Internal Control over Compliance

The Honorable Frank J. Mautino
Auditor General of the State of Illinois

and

The Board of Trustees
Illinois State Board of Investment

Report on State Compliance

As Special Assistant Auditors for the Auditor General, we have examined compliance by the Illinois State Board of Investment (Board) and its investment trust funds, the Illinois State Board of Investment Member Systems and the Illinois Power Agency Trust Fund, (collectively referred to as ISBI) 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 year ended June 30, 2021. Management of ISBI is responsible for compliance with the specified requirements. Our responsibility is to express an opinion on ISBI's compliance with the specified requirements based on our examination.

The specified requirements are:

- A. ISBI 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. ISBI 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. ISBI 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 ISBI 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 ISBI on behalf of the State or held in trust by ISBI 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 ISBI complied with the specified requirements in all material respects. An examination involves performing procedures to obtain evidence about whether ISBI complied with the specified requirements. The nature, timing, and extent of the procedures selected depend on our judgment, including an assessment of the risks of material noncompliance with the specific 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 opinion.

Our examination does not provide a legal determination on ISBI's compliance with the specified requirements.

In our opinion, ISBI complied with the specified requirements during the year ended June 30, 2021, in all material respects.

The purpose of this report is solely to describe the scope of our testing 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 ISBI is responsible for establishing and maintaining effective internal control over compliance with the specified requirements. In planning and performing our examination, we considered ISBI's internal control to determine the examination procedures that are appropriate in the circumstances for the purpose of expressing our opinion on ISBI's compliance with the specified requirements and to test and report on ISBI's internal control in accordance with the *Audit Guide*, but not for the purpose of expressing an opinion on the effectiveness of ISBI's internal control. Accordingly, we do not express an opinion on the effectiveness of ISBI's internal control.

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 in internal control 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. A significant deficiency in internal control 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our examination we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

There were no immaterial findings that have been excluded from this report.

The purpose of this report is solely to describe the scope of our testing of internal control and the results of that based on the requirements of the *Audit Guide*. Accordingly, this report is not suitable for any other purpose.

/s/KPMG LLP

Chicago, Illinois
January 31, 2022

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Schedule of Findings

Current Findings

Year ended June 30, 2021

None reported

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Prior Findings Not Repeated

Year ended June 30, 2021

A – Financial Reporting Errors

In the prior year, ISBI did not identify financial reporting errors in the year-end financial statements. (Finding Code No. 2020-001)

In the current year, similar exceptions were not identified in the auditors' testing.

B – Untimely Preparation of Employee Timesheets

In the prior year, ISBI did not ensure employees prepared and submitted their timesheets within two workdays of the end of each period. (Finding Code No. 2020-002)

In the current year, similar exceptions were not identified in the accountants' testing.