



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**ILLINOIS STATE BOARD OF INVESTMENT**

State Compliance Examination  
 For the Two Years Ended June 30, 2023

Release Date: July 9, 2024

FINDINGS THIS AUDIT: 4				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	<u>Repeated Since</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
<b>Category 1:</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>No Repeat Findings</b>			
<b>Category 2:</b>	<b>4</b>	<b>0</b>	<b>4</b>				
<b>Category 3:</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>TOTAL</b>	<b>4</b>	<b>0</b>	<b>4</b>				
<b>FINDINGS LAST AUDIT: 0</b>							

**INTRODUCTION**

This digest covers the State compliance examination of the Illinois State Board of Investment (ISBI) for the two years ended June 30, 2023. A digest covering ISBI's financial audit as of and for the year ended June 30, 2023, was previously released on January 18, 2024. This report contains four findings. The financial audit report contained no findings.

**SYNOPSIS**

- (23-2) The Illinois State Board of Investment had not implemented adequate internal controls over documenting the reviews of its service providers.

<b>Category 1:</b>	Findings that are <b>material weaknesses</b> in internal control and/or a <b>qualification</b> on compliance with State laws and regulations (material noncompliance).
<b>Category 2:</b>	Findings that are <b>significant deficiencies</b> in internal control and <b>noncompliance</b> with State laws and regulations.
<b>Category 3:</b>	Findings that have <b>no internal control issues but are in noncompliance</b> with State laws and regulations.

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **LACK OF ADEQUATE CONTROLS OVER THE REVIEW OF INTERNAL CONTROLS FOR SERVICE PROVIDERS**

The Illinois State Board of Investment (ISBI) had not implemented adequate internal controls over documenting the reviews of its service providers.

**SOC report review documentation  
not maintained**

During our examination, we noted that ISBI did not maintain documentation of its independent internal control review of the System and Organization Control (SOC) reports for four of four (100%) service providers. (Finding 2, page 9)

We recommended ISBI implement controls to conduct formal reviews of the SOC reports of its service providers and to ensure these reviews are formally documented. Further, we recommended the reviews document deviations noted in the service providers' SOC reports to determine the impact to ISBI's internal control environment, and we recommended these reviews should include the subservice providers to determine their impact to ISBI's internal controls, and the Complementary User Entity Controls (CUECs) as they relate to ISBI's internal controls.

**ISBI agreed**

ISBI agreed with our recommendations.

### **OTHER FINDINGS**

The remaining findings pertain to failure to implement controls related to cybersecurity programs and practices, inadequate computer security controls, and insufficient controls over monthly reconciliations. We will review ISBI's progress towards the implementation of our recommendations in our next State compliance examination.

### AUDITOR'S OPINION

The financial audit report was previously released. The auditors stated the financial statements of ISBI as of and for the year ended June 30, 2023, are fairly stated in all material respects.

### ACCOUNTANT'S OPINION

The accountants conducted a State compliance examination of ISBI for the two years ended June 30, 2023, as required by the Illinois State Auditing Act. The accountants stated ISBI complied, in all material respects, with the requirements described in the report.

This State compliance examination was conducted by RSM US  
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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