



STATE OF ILLINOIS
OFFICE OF THE
AUDITOR GENERAL

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

OFFICE OF THE TREASURER
FISCAL OFFICER RESPONSIBILITIES

Financial Audit and Compliance Examination
For the Year Ended June 30, 2020

Release Date: April 8, 2021

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS			
	Repeated Since	Category 1	Category 2	Category 3
Category 1:				
Category 2:				
Category 3:				
TOTAL				
FINDINGS LAST AUDIT: 0	No Repeat Findings			

SYNOPSIS

- **(20-01)** The Office had inadequate internal controls over the Office's Fiscal Officer Responsibilities 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
FISCAL OFFICER RESPONSIBILITIES
FINANCIAL AUDIT AND COMPLIANCE EXAMINATION
For the Year Ended June 30, 2020**

ASSETS, LIABILITIES AND ACCOUNTABILITIES	JUNE 30, 2020	JUNE 30, 2019
Assets and Other Debits		
Cash and Cash Equivalents.....	\$ 7,930,369,807	\$ 6,094,198,758
Deposits and Investments, short-term.....	8,532,515,973	5,434,058,264
Deposits and Investments, long -term.....	1,295,129,704	3,185,402,853
Securities Lending Collateral.....	4,344,267,500	3,103,274,125
Other Assets.....	44,185,817	63,840,195
Amount of Future General Revenue Obligated for Debt Service.....	39,078,463,342	38,424,448,341
TOTAL ASSETS AND OTHER DEBITS.....	\$ 61,224,932,143	\$ 56,305,222,536
Liabilities and Accountabilities		
Liabilities for Balances on Deposit.....	\$ 16,437,451,187	\$ 13,460,572,028
Obligations Under Securities Lending.....	4,344,267,500	3,103,274,125
General Obligation Indebtedness.....	40,330,955,005	39,649,715,312
Accountabilities.....	112,258,451	91,661,071
TOTAL LIABILITIES AND ACCOUNTABILITIES.....	\$ 61,224,932,143	\$ 56,305,222,536
STATE TREASURER		
During Engagement Period: Honorable Michael W. Frerichs		
Currently: Honorable Michael W. Frerichs		

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INADEQUATE INTERNAL CONTROLS RELATED TO REVIEW OF FINANCIAL STATEMENTS

The Office had inadequate internal controls over the Office's Fiscal Officer Responsibilities financial statement review process.

During testing of the Statement of Assets and Other Debits, Liabilities and Accountabilities (financial statements), footnotes to the financial statements, and supplementary information, various errors were identified. The Office corrected the financial statements, footnotes to the financial statements, and supplementary information for these errors which included:

General Obligation Certificates principal and interest were excluded from the financial statements

- General Obligation Certificates Series June 2020 totaling \$1,200,000,000 in principal and \$45,840,000 in interest were excluded from the financial statements, notes to the financial statements, and supplementary information which led to several corrections and multiple iterations of the financial statements.

June 30, 2019 investments in commercial paper reported in the financial statements did not agree to the Fiscal Year 2019 audited financial statements

- June 30, 2019 investments in commercial paper reported in the financial statements did not agree to the Fiscal Year 2019 audited financial statements. Fiscal Year 2019 audited financial statements reported cash and cash equivalents for commercial paper of \$2,257,757,590. Fiscal Year 2020 financial statements reported Fiscal Year 2019 cash and cash equivalents for commercial paper of \$2,273,028,612. Fiscal Year 2019 audited financial statements reported short-term investments for commercial paper of \$1,956,901,445. Fiscal Year 2020 financial statements report Fiscal Year 2019 short-term investments for commercial paper of \$1,941,630,423.

The notes to the financial statements reported Fiscal Year 2019 information which did not agree to the Fiscal Year 2019 audited notes to the financial statements

- The notes to the financial statements reported Fiscal Year 2019 information which did not agree to the Fiscal Year 2019 audited notes to the financial statements including:
 - Note D, Deposits and Investments, Fiscal Year 2019 audited notes to the financial statements disclosed total unfunded commitments for Illinois Technology Development Accounts I and II (TDA I and II) of \$113 million, with \$5 million and \$108 million related to TDA I and TDA II, respectively. Fiscal Year 2020 notes to the financial statements disclosed Fiscal Year 2019 total unfunded commitments of \$110.8

million, with \$2.4 million and \$108.4 million related to TDA I and TDA II, respectively.

- Note E, Defeased Debt, Fiscal Year 2019 audited notes to the financial statements disclosed General Obligation Refunding Bonds issued of \$1,106,050,000. Fiscal Year 2020 notes to the financial statements disclosed Fiscal Year 2019 General Obligation Refunding Bonds issued of \$1,106,050.
- The notes to the financial statements included several errors in reporting of Fiscal Year 2020 information including:
 - Note D, Deposits and Investments, concentration of credit risk table excluded ASL Capital as an investment in which the Office had a concentration exceeding 5%.
 - Note D, Deposits and Investments, interest rate risk disclosure stated 5% of the investment portfolio shall be allocated to investments in a 5 to 10-year maturity band. The Office's investment policy section 9.0(d)ix requires no more than 10% of the investment portfolio be allocated to investments in a 5 to 10-year maturity band.
 - Note D, Deposits and Investments, disclosed total unfunded commitment amounts for TDA I and II of \$139 million, with \$2 million related to TDA I. Unfunded commitment amounts for TDA I and II totaled \$141 million with \$4 million related to TDA I.
 - Note D, Deposits and Investments, investment maturity table disclosed investments in The Illinois Funds as \$2,273,086, but should have been disclosed as \$2,273,381.
- Supplementary Information to the financial statements, Assets and Other Debits – Detail, reported total demand deposits of \$565,619,800. The financial statements reported total demand deposits of \$565,897,239. (Finding 01, pages 10-11)

The notes to the financial statements included several errors in reporting of Fiscal Year 2020 information

We recommended the Office improve controls over the financial reporting process of the Fiscal Officer Responsibilities, specifically:

- Verify the 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 report.
- Verify all amounts within the financial statements, notes and supplementary information has been updated.
- Verify amounts reported agree between statements and note schedules.

The Office accepts the recommendations

The Office accepted the recommendations and stated they will review and improve procedures related to both current and prior year financial statement information, footnotes, and supplementary information, as well as evaluate appropriate staffing and workflow processes.

AUDITOR'S OPINION

The auditors stated the financial statements of the Treasurer as of and for the year ended June 30, 2020, and June 30, 2019, are fairly stated in all material respects. The auditors noted the financial statements have been prepared by the Treasurer on the basis of the financial reporting provisions determined by the Office of the State Comptroller, which is a basis of accounting other than accounting principles generally accepted in the United States of America, to meet the requirements of the State of Illinois. The auditor's opinion was not modified with respect to this matter.

ACCOUNTANT'S OPINION

The accountants conducted a compliance examination of the Treasurer for the year ended June 30, 2020, as required by the Illinois State Auditing Act. The accountants qualified their report on State compliance for Finding 2020-001. Except for the noncompliance described in this finding, the accountants stated the Treasurer complied, in all material respects, with the requirements described in the report.

This financial audit and compliance examination 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

FJM:sjs