



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

**OFFICE OF THE TREASURER –
 ILLINOIS ACHIEVING A BETTER LIFE EXPERIENCE PROGRAM**

**Financial Audit
 For the Year Ended June 30, 2019**

Release Date: February 25, 2020

FINDINGS THIS AUDIT: 1				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	1	1	2017	19-01		
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	0	1	1				
FINDINGS LAST AUDIT: 1							

SYNOPSIS

- **(19-01)** The Office did not maintain adequate internal controls to properly assess the procedures required to sufficiently review the checking (banking) option debit card withdrawal process serviced by an external subservice organization and document its review of controls.

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
ILLINOIS ACHIEVING A BETTER LIFE EXPERIENCE PROGRAM
FINANCIAL AUDIT
For the Year Ended June 30, 2019

STATEMENT OF FIDUCIARY NET POSITION	2019	2018
Assets		
Investments.....	\$ 5,833,289	\$ 2,295,650
Redemption Proceeds Receivable.....	7,940	14,000
Total Assets.....	<u>5,841,229</u>	<u>2,309,650</u>
Liabilities and Net Position		
Withdrawals Payable.....	7,940	14,000
Total Liabilities	<u>7,940</u>	<u>14,000</u>
Net Position Held in Trust for Participants.....	<u>\$ 5,833,289</u>	<u>\$ 2,295,650</u>
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION	2019	2018
Investment Income (Expense)		
Investment Earnings.....	\$ 220,490	\$ 51,910
Other Income.....	562	386
Management Fees.....	(8,968)	(2,900)
Other Expense.....	(1,116)	(202)
Total Additions.....	<u>210,968</u>	<u>49,194</u>
Other Participant Transactions:		
Program Contributions.....	4,170,697	2,155,909
Program Withdrawals.....	(844,026)	(336,197)
Total Increase from Participant Transactions.....	<u>3,326,671</u>	<u>1,819,712</u>
Change in Net Position.....	3,537,639	1,868,906
Net Position, Beginning of Year.....	2,295,650	426,744
Net Position, End of Year.....	<u>\$ 5,833,289</u>	<u>\$ 2,295,650</u>
SELECTED ACTIVITY MEASURES (Unaudited)	2019	2018
Number of Illinois Participants	851	394
Balance of Illinois Participants	\$ 5,568,241	\$ 2,158,923
Number of Out of State Participants	62	26
Balance of Out of State Participants	\$ 265,048	\$ 136,727
TREASURER		
During Engagement Period: Honorable Michael Frerichs		
Currently: Honorable Michael Frerichs		

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**LACK OF ADEQUATE CONTROLS OVER THE
REVIEW OF EXTERNAL SERVICE PROVIDER**

The Office of the Treasurer (Office) did not maintain adequate internal controls to properly assess the procedures required to sufficiently review the checking (banking) option debit card withdrawal process serviced by an external subservice organization and document its review of controls.

The Office utilized a third party service provider to manage the Achieving a Better Life Experience Program (ABLE), which utilized an external subservice organization to manage the Checking Account (banking) option.

The Office did not assess sufficiency of procedures related to financial reporting controls for debit card transaction withdrawals

During testing, the auditors noted the Office performed procedures designed to understand the external subservice organization's process and controls, but did not properly assess the sufficiency of the procedures related to financial reporting controls for debit card transaction withdrawals. In addition, the procedures performed were not sufficiently documented. While not identified by the service organization as being material to its operations, the subservice organization was material to the Office. As of June 30, 2019, total assets of the checking (banking) option were \$1,596,534, totaling 27% of Illinois ABLE assets, and the net position held in trust for participants was \$5,833,289. (Finding 1, pages 63-64)

We recommended the Office establish an internal control process to perform and fully document due diligence procedures to ensure transactional activity between service and subservice organizations is fully documented. We also recommended the review of controls be documented timely and include any complementary user entity controls relevant to the Office's operations. In addition, we recommended the Office obtain training for its staff regarding service organization due diligence procedures and an understanding of the types of controls that would impact financial reporting and the Office's fiduciary responsibilities.

Office officials disagree

The Office disagreed with the finding, noting internal controls and procedures the Office performed included reporting, due diligence, review of the SOC1 Report of the third-party service provider, and daily, weekly, and monthly review of transaction data provided by the third-party service provider. Further, the Office noted the checking (banking) account is provided by an external contractor which is a federally insured bank, subject to rigorous federal and state oversight and regulatory examination.

Auditor's Comment

In an auditor's comment, we stated the Office may have procedures in place to obtain an understanding of the subservice provider's internal controls over the debit card transaction

withdrawals; however, without documentation of such, the auditors are unable to assess the adequacy and sufficiency of the internal controls.

AUDITOR’S OPINION

The auditors stated the Office of the Treasurer, Achieving a Better Life Experience program financial statements as of and for the year ended June 30, 2019 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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