



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, 2018

Release Date: January 31, 2019

FINDINGS THIS AUDIT: 1	New	Repeat	Total	AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since 2017	Category 1	Category 2	Category 3
Category 1:	0	1	1		18-01		
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	0	1	1				
FINDINGS LAST AUDIT: 1							

SYNOPSIS

- **(18-01)** The Office did not maintain adequate controls to ensure all external service provider’s internal controls were reviewed timely.

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.

{Financial data is summarized on next page.}

OFFICE OF THE TREASURER
ILLINOIS ACHIEVING A BETTER LIFE EXPERIENCE PROGRAM
FINANCIAL AUDIT
For the Year Ended June 30, 2018

STATEMENT OF FIDUCIARY NET POSITION	2018	2017*
Assets		
Investments.....	\$ 2,295,650	\$ 426,744
Redemption Proceeds Receivable.....	14,000	0
Total Assets.....	<u>2,309,650</u>	<u>426,744</u>
Liabilities and Net Position		
Withdrawals Payable.....	14,000	0
Total Liabilities	<u>14,000</u>	<u>0</u>
Net Position Held in Trust for Participants.....	<u>\$ 2,295,650</u>	<u>\$ 426,744</u>
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION	2018	2017*
Investment Income (Expense)		
Investment Earnings.....	\$ 51,910	\$ 4,925
Other Income.....	386	46
Management Fees.....	(2,900)	(178)
Other Expense.....	(202)	(67)
Total Additions.....	<u>49,194</u>	<u>4,726</u>
Other Participant Transactions:		
Program Contributions.....	2,155,909	434,159
Program Withdrawals.....	(336,197)	(12,141)
Total Increase from Participant Transactions.....	<u>1,819,712</u>	<u>422,018</u>
Change in Net Position.....	1,868,906	426,744
Net Position, Beginning of Year.....	426,744	0
Net Position, End of Year.....	<u>\$ 2,295,650</u>	<u>\$ 426,744</u>
SELECTED ACTIVITY MEASURES (Unaudited)	2018	2017*
Number of Illinois Participants	394	137
Balance of Illinois Participants	\$ 2,158,923	\$ 426,744
Number of Out of State Participants	26	0
Balance of Out of State Participants	\$ 136,727	\$ 0
*Period January 9, 2017 through June 30, 2017		
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 controls to ensure all external service provider's internal controls were reviewed timely.

The Office utilized an external service provider for the management of the Achieving a Better Life Experiences Program (ABLE). The external service provider was responsible for the operations of the ABLE Program including recordkeeping, investment advisory and administrative services. In addition, the external service provider used third party subservice organizations to perform certain significant services. The external subservice organizations were responsible for various services including the recordkeeping platform, custody and cash management, and providing services for the checking account product within the checking (banking) option. As of June 30, 2018, the net position held in trust for participants was \$2,295,650.

During testing, the auditors noted:

- The internal controls for the subservice organization utilized by the external service provider, responsible for custody of investments within the checking (banking) option portfolio, were not reviewed. While not identified by the external service provider as being material to its operations, the subservice organization was material to the Office. As of June 30, 2018, total assets of the checking (banking) options were \$565,634.
- The external service provider's Service Organization Control (SOC) report was issued on February 15, 2018, but the Office did not request the SOC report from its service organization until May 16, 2018, 90 days after issuance. In addition, the SOC report was provided one day after it was requested on May 17, 2018, but was not reviewed by the Office until June 25, 2018, 130 days after report issuance and 39 days after it was received. (Finding 1, pages 42-43)

Internal controls for the subservice organization were not reviewed

The external service provider's SOC report was not reviewed timely

We recommend the Office establish an internal control process to timely request, review and document the review of all SOC reports from its service provider and subservice organizations when reports are issued.

Office accepted the recommendation

The Office accepted the recommendation and stated it will obtain and review the SOC report for the subservice organization.

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, 2018 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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