



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

**OFFICE OF THE TREASURER –
 ILLINOIS SECURE CHOICE SAVINGS PROGRAM**

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

Release Date: April 15, 2020

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

SYNOPSIS

- **(19-01)** The Office did not have an adequate process in place to determine the proper financial reporting of seed money (and earnings on the seed money) for the Secure Choice Savings Program and was noncompliant with the Illinois State statute related to the seed money.

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 SECURE CHOICE SAVINGS PROGRAM
FINANCIAL AUDIT
For the Year Ended June 30, 2019

STATEMENTS OF FIDUCIARY NET POSITION	2019
Assets	
Cash and Cash Equivalents.....	\$ 413,703
Receivable for Investments Sold.....	1,515
Investments.....	2,778,829
Total Assets.....	3,194,047
Liabilities	
Withdrawals Payable.....	24,765
Payable for Investments Purchased.....	22,534
Accrued Program Management Fees.....	1,505
Seed Money Payable.....	10,445
Total Liabilities	59,249
Net Position Held in Trust for Participants.....	\$ 3,134,798
STATEMENTS OF CHANGES IN FIDUCIARY NET POSITION	2019
Investment Income (Expense)	
Dividend Income.....	\$ 35,992
Net Change in Fair Value of Investments.....	77,486
Administrative Fees.....	(5,956)
Seed Money Net Investment Income Distribution.....	(4,595)
Total Additions.....	102,927
Other Participant Transactions:	
Program Contributions.....	3,303,533
Program Withdrawals.....	(271,662)
Total Increase from Participant Transactions.....	3,031,871
Change in Net Position.....	3,134,798
Net Position, Beginning of Year.....	-
Net Position, End of Year.....	\$ 3,134,798
SELECTED ACTIVITY MEASURES	2019
Total Number of Accounts.....	13,281
Market Value.....	\$ 3,134,798
TREASURER	
During Engagement Period: Honorable Michael Frerichs	
Currently: Honorable Michael Frerichs	

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE CONTROLS IN PLACE FOR
FINANCIAL STATEMENT REPORTING AND
NONCOMPLIANCE WITH STATE STATUTE**

The Office did not have an adequate process in place to determine the proper financial reporting of seed money (and earnings on the seed money) for the Secure Choice Savings Program and was noncompliant with the Illinois State statute related to the seed money.

**The Secure Choice Savings Program
launched July 1, 2018**

The Secure Choice Savings Program officially launched July 1, 2018. Seed money was added to the Secure Choice funds by either the Program Manager or a Portfolio Custodian to set the Net Asset Value (NAV) and ensure a sufficient balance in each fund to buy and sell shares. The seed money was invested the same as participant funds and earned investment income. Once an individual fund had a sufficient balance, the seed money and any related investment income was returned to the entity which provided the funds. As identified in Note 4 to the financial statements, the seed money and related earnings was returned in all instances except two fund options by June 30, 2019.

**The Office improperly reported seed
money and related earnings in the
financial statements**

The Office improperly reported seed money and related earnings in the Secure Choice Savings Program financial statements. The Net Position Held in Trust for Participants was overstated by \$10,445 (0.33% of Net Position) and the Seed Money Payable was understated by \$10,445 (0.33% of Net Position) on the Statement of Fiduciary Net Position. Program Contributions were overstated by \$75,000 (2.39% of Net Position), Program Withdrawals were overstated by \$69,150 (2.21% of Net Position) and investment expenses were understated by \$4,595 (0.15% of Net Position) on the Statement of Changes in Fiduciary Net Position due to the improper inclusion of seed money. With the exception of assets, all financial statement account categories were misstated by varying amounts due to the inclusion of seed money and related earnings/expenses. The Office updated the financial statements to adjust for these misstatements.

**The note to the financial statements
did not specifically disclose the
inclusion of seed money and earnings
within Net Position Held in Trust for
Participants, Program
Contributions, and Program
Withdrawals**

The Office did include a note to the financial statements indicating seed money and earnings of \$10,445 were included in total assets on the Statement of Fiduciary Net Position by Portfolio as of June 30, 2019, but the note did not specifically disclose the inclusion of seed money and earnings within Net Position Held in Trust for Participants, Program Contributions, and Program Withdrawals on the financial statements. The note also did not disclose the exclusion of seed money and related earnings from liabilities. The Office revised the seed money footnote when the financial statements were revised for the misstatements. The seed money does not represent eligible

participants funds related to retirement savings for Illinois workers who do not have access to an employer-sponsored retirement plan and thus does not qualify for reporting within the Statement of Fiduciary Net Position, as restricted for participants, nor for reporting within the Statement of Changes in Fiduciary Net Position as Program Contributions and Withdrawals. (Finding 1, pages 40-41)

We recommended the Office strengthen its financial reporting internal controls to ensure new activity is properly analyzed and researched prior to the submission of financial statements to properly report the activity within the financial statements and notes. The Office should also perform a detailed review of applicable statutes to ensure compliance.

The Office accepts the finding.

The Office accepted the finding. The Office did not view the inclusion of the seed money to have a material effect on the financial statements and determined that the elimination of the seed money was unnecessary based on the Office's materiality threshold. Despite the lack of materiality, the Office noted the inclusion of the seed money in the financial statement footnotes to allow for full disclosure to any users.

AUDITOR'S OPINION

The auditors stated the financial statements of the Office of the Treasurer, Illinois Secure Choice Savings Program 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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