



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

August 5, 2019

Rick Lowe, Director
Office of Internal Audit Services
Office of the State Budget
George W. Romney Building
111 South Capitol, 6th Floor
Lansing, MI 48913

Dear Mr. Lowe,

In accordance with the State of Michigan, Financial Management Guide, Part VII, the following is our corrective action plan to address recommendations contained within the Office of the Auditor General's Financial Audit of the Michigan Achieving a Better Life Experience (MiABLE) program for the year ended September 30, 2017.

1. Audit recommendations the agency complied with:

Monitoring and Reconciliations:

We recommend that MiABLE perform timely reviews of the financial statements, and other financial information provided by service organizations and use the information to fully report to the Treasurer. We also recommend that MiABLE implement a monitoring program and document all critical internal controls. This monitoring program should include a review that internal control procedures were used and a procedure for initialing and dating those items which were reviewed. This will allow management to ensure all aspects of internal control are being implemented as designed, thus helping prevent or detect errors on a timely basis.

Agency Plan:

MiABLE staff continues to access aggregate MiABLE account data regularly throughout the year. Staff reviews program and account information which has been used to report to various stakeholders in the Disability Community, Treasury Leadership, the Legislature, and the general public. Furthermore, staff has access to beneficiary specific account data, including all account transactions (including deposits, withdrawals, investment changes, and fees assessed). Aggregate MiABLE asset and beneficiary data are reported monthly for review by Treasury Management.

Staff have implemented procedures to request and ensure the delivery of quarterly financial statements from the service organization. MiABLE staff has received, reviewed, and stored annual financial statements and quarterly reconciliation reports, bank statements, and position statements from the service organization for 2016, 2017, and

2018 which show balanced bank and position accounts with no abnormal account activity.

MiABLE has also implemented documented procedures to review quarterly statements from the service organization. Furthermore, Treasury has formalized documented procedures to ensure internal controls are reviewed according to the Treasury's standard schedule.

Maintain Physical Records:

We recommend that MiABLE obtain and retain support for financial statement balances including, but not limited to bank statements and reconciliations, investment statements and reconciliations, rollup report and transactions, and a fees-charged report from the service organizations, and report to the Treasurer on a monthly basis. This can be facilitated by creating a checklist of documents needed each month to document that items were received monthly.

Agency Plan:

Treasury has implemented procedures to ensure the delivery and storage of financial statements from the MiABLE service organization. MiABLE receives and reviews financial statements quarterly. MiABLE staff has access to aggregate MiABLE account data throughout the year that allows for the real time review of account information that has been used to report to various stakeholders in the Disability Community, Treasury Leadership, the Legislature, and general public. Furthermore, staff has access to beneficiary specific account data, including all account transactions (including deposits, withdrawals, investment changes, and fees assessed). Aggregate MiABLE asset and beneficiary data is reported monthly for review by the Treasurer.

MiABLE staff has received and stored reconciliation reports for the previous periods. The procedures for the delivery, review, and storage of all reports, statistics, and metrics will ensure internal controls are being met. Furthermore, formalized MiABLE procedures will ensure internal controls are reviewed according to the approved Treasury standard schedule.

Finally, a checklist has been developed to ensure documents needed from the vendor are received.

2. Audit recommendations the agency agrees with and will comply: None
3. Audit recommendations the agency disagrees with:

Participant Statements Not Reconciled to Financials:

We recommend that MiABLE reconciles year-end information provided by the service organizations to balances reported to participants at year-end and record any necessary accruals. This may also include updating reporting system to include year-end fees to participant statements.

Agency Plan:

Treasury does not receive participant year-end statements and cannot record accruals in the service organization's accounting system. Therefore, Treasury cannot implement this recommendation.

For 2017, the service organization used the settlement date as the parameter for transaction inclusion on participant statements. This resulted in fees accrued through the end of the period and charged to the following period. The service organization has implemented a parameter change for reporting using the effective date of transactions for inclusion on participant statements. The parameter was changed for 2018 reports and statements. This change remediates this finding.

Should you have any questions regarding the corrective action plan, please contact R Scott de Varona at 517-335-7410 or at miable@michigan.gov.

Sincerely,

Signature Redacted

Anne Wohlfert, Executive Director
Office of Postsecondary Financial Planning

Cc: JoAnne Huls, Executive Office
Jay Rising, Executive Office
Doug Ringler, Office of the Auditor General
Mark Huizenga, House Appropriations Sub-committee
Jim Stamas, Senate Appropriations Sub-committee
Jason Sheppard, House Standing Committee
Mike Shirkey, Senate Standing Committee
Mary Ann Cleary, House Fiscal Agency
Christopher Harkins, Senate Fiscal Agency
Rachael Eubanks, Treasury
Ann Good, Treasury
Bruce Hanses, Treasury
Mike Williams, Office of Internal Audit Services
Fran Thelen, Office of Internal Audit Services
R. Scott de Varona, Treasury