



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS STATE BOARD OF EDUCATION

COMPLIANCE EXAMINATION

For the Two Years Ended: June 30, 2012

Release Date: May 15, 2013

Summary of Findings:

Total this audit: 10

Total last audit: 7

Repeated from last audit: 3

INTRODUCTION

This report relates to the State Compliance Examination of the Illinois State Board of Education (Board) for the two years ended June 30, 2012.

The Financial Statement Audit of the Illinois State Board of Education for the year ended June 30, 2012 was previously released under a separate cover on February 21, 2013. That audit contained one finding. In total, this State Compliance Report contains 10 findings, one of which was also reported in the Financial Audit.

SYNOPSIS

- The Board did not take actions on all the schools on academic watch status after three years following placement in such status.
- The Board did not adequately perform an audit of all claims by school districts for State moneys as required by the School Code.

{Expenditures and Activity Measures are summarized on the reverse page.}

**ILLINOIS STATE BOARD OF EDUCATION
COMPLIANCE EXAMINATION
For the Two Years Ended June 30, 2012**

EXPENDITURE STATISTICS	2012	2011	2010
Total Expenditures.....	\$ 8,970,254,851	\$ 9,585,914,141	\$ 9,874,174,514
OPERATIONS TOTAL.....	\$ 95,785,139	\$ 74,163,680	\$ 105,502,987
% of Total Expenditures.....	1.0%	0.8%	1.1%
Personal Services.....	\$ 28,408,667	\$ 13,083,147	\$ 30,029,819
Other Payroll Costs (FICA, Retirement).....	\$ 7,518,904	\$ 6,461,710	\$ 7,022,529
All Other Operating Expenditures.....	\$ 59,857,568	\$ 54,618,823	\$ 68,450,639
AWARDS AND GRANTS.....	\$ 8,869,872,526	\$ 9,508,275,748	\$ 9,765,448,381
% of Total Expenditures.....	98.9%	99.2%	98.9%
REFUNDS.....	\$ 4,597,186	\$ 3,474,713	\$ 3,223,146
% of Total Expenditures.....	0.1%	0.0%	0.0%
Total Receipts.....	\$ 2,283,097,724	\$ 2,528,415,195	\$ 3,398,325,373
Average Number of Employees.....	452	468	491

SELECTED ACTIVITY MEASURES (unaudited)	2012	2011	2010
Number of Operating School Districts.....	866	868	868
Dropout Rate.....	2.5%	2.7%	3.8%
Attendance Rate.....	94.4%	94.0%	93.9%
Graduation Rate.....	82.3%	83.8%	87.8%
Total Number of Teachers (FTE).....	127,830	128,262	132,502
Students Per Teachers (Elementary).....	18.9	18.8	18.2
Students Per Administrator.....	205.0	211.3	203.8
Teacher Salary (average).....	\$ 66,614	\$ 64,978	\$ 63,296
Administrator Salary (average).....	\$ 110,870	\$ 109,759	\$ 109,091

STATE SUPERINTENDENT OF EDUCATION	
During Examination Period:	Dr. Christopher Koch, Ed.D.
Currently:	Dr. Christopher Koch, Ed.D.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

SCHOOLS ON ACADEMIC WATCH STATUS

The Board did not take actions on all the schools identified to have been on academic watch status after three years following placement in such status.

Required action not taken

During our testing of statutory mandates, we noted 526 schools from 139 school districts had been on academic watch status for four to ten years by the end of 2010-2011 school year and 556 schools from 151 school districts had been on academic watch status for four to eleven years by the end of 2011-2012 school year. The Board took action on 2 school districts; however, the Board had not taken the required action on the remaining schools and school district noted after three years on such status.

The School Code (105 ILCS 5/2-3.25f) requires the Board to take one of several actions on schools and school districts that remained on academic watch status after three years following its placement on such status. School board members may be removed and an Independent Authority may be temporally appointed for purposes of improving pupil performance and school improvement. Alternatively, the Board may cease to recognize the school district or school, “direct the reassignment of pupils, or direct the reassignment or replacement of school district personnel who are relevant to the failure to meet adequate yearly progress criteria.”

Lack of statutory clarity and resources and litigation

Board officials stated they failed to take action on schools that remained in academic watch status after three years due to lack of statutory clarity, resources and litigation against the Board for taking action in one of two districts involved. In response to the prior finding, management stated they were in the process of evaluating the mandate with a possibility of seeking a legislative amendment. During the current period, the Board began the process of establishing the Unit for District Oversight and Accountability to intervene in school districts. Officials stated the Board is also seeking legislative amendment under Senate Bill 2340. (Finding 3, Page 20)

We recommended the Board identify and reallocate resources or seek legislative amendment promptly to ensure compliance with the School Code.

Board agrees with auditors, but noted the court halted the intervention issued an injunction

Board management agrees with the finding, and noted they took action as allowed by the School Code in 2 school districts. In one instance, the court halted the intervention due, in part, to issues raised about the clarity of the provision in the School Code that authorizes the Board to remove school boards. The Board is therefore in the process of reviewing available resources and has also proposed legislation to clarify statutory requirements.

INCOMPLETE AUDIT OF SCHOOL DISTRICT CLAIMS FOR STATE FUNDS

Failure to perform audits of all school district claims

The Board did not adequately perform an audit of all claims by school districts for State moneys.

During our review of 40 school districts receiving State moneys for various school programs during fiscal years 2011 and 2012, we noted that an audit of claims was never performed by the Board for nine of forty (22%) school districts tested. The Board distributed a total of \$6.4 billion and \$6.2 billion in State moneys during fiscal years 2011 and 2012, respectively, to approximately 870 school districts.

The School Code (105 ILCS 5/2-3.32) requires the Board to maintain a division of audits whose duty shall be to audit all claims for State moneys relative to the public school system.

Board officials stated that the condition noted was due to staffing constraints. As a result of these staffing limitations, the Board utilizes an annual risk based model in order to select the highest risk local education agencies and related programs to be reviewed with the resources available. (Finding 4, Page 21).

We recommended the Board consider alternative ways to ensure compliance with the School Code, or identify and reallocate resources.

Board agrees with auditors

Board management agreed with the finding and stated they are reviewing legislation and exploring ways to ensure compliance.

OTHER FINDINGS

The remaining findings are reportedly being given attention by the Board. We will review the Board's progress towards the implementation of our recommendations in our next engagement.

AUDITORS' OPINION

The auditors conducted a compliance examination of the Board for the two years ended June 30, 2012. A financial audit covering the year ended June 30, 2012 was previously issued on February 21, 2013.



WILLIAM G. HOLAND

Auditor General

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SPECIAL ASSISTANT AUDITORS

Our special assistant auditor for this engagement was E.C. Ortiz & Co., LLP.