



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT

For the Year Ended: June 30, 2013

Release Date: January 16, 2014

Summary of Findings:

Total this audit:	2
Total last audit:	1
Repeated from last audit:	1

INTRODUCTION

This report contains only findings pertaining to the Financial Statement Audit and agreed-upon procedures regarding reported school dropout rates for the Illinois State Board of Education (Board) for the year ended June 30, 2013. Our next engagement will include a financial audit for the year ended June 30, 2014 and a compliance examination for the two years ended June 30, 2014.

SYNOPSIS

- The Board did not identify or prevent misstatements in financial reporting.

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

**ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AUDIT
For the Year Ended June 30, 2013**

Statement of Governmental Revenues, Expenditures and Changes in Fund Balances (In Thousands)	FY 2013	FY 2012
PROGRAM REVENUES		
General Fund.....	\$ 1	\$ 67
Other Funds.....	2,176,794	2,178,837
Total Program Revenues.....	<u>2,176,795</u>	<u>2,178,904</u>
EXPENDITURES		
General Fund.....	6,529,175	6,719,862
Other Funds.....	2,259,389	2,192,388
Total Expenditures.....	<u>8,788,564</u>	<u>8,912,250</u>
GENERAL REVENUES.....	<u>355</u>	<u>582</u>
OTHER SOURCES (USES)		
Appropriations from State resources.....	6,677,026	6,895,841
Lapsed appropriations.....	(11,360)	-
Receipts remitted to State Treasury.....	(3,028)	(8,861)
Reappropriations/Net change in reappropriated account liability....	<u>(93,896)</u>	<u>(107,088)</u>
Total Other Sources (Uses).....	<u>6,568,742</u>	<u>6,779,892</u>
Changes in Fund Balance.....	<u>\$ (42,672)</u>	<u>\$ 47,128</u>
Balance Sheet (In Thousands)		
	FY 2013	FY 2012
ASSETS		
Cash and cash equivalents.....	\$ 21,467	\$ 14,989
Accounts receivable (includes State and other governments).....	476,496	383,345
All other assets.....	467,871	809,098
Total Assets.....	<u>\$ 965,834</u>	<u>\$ 1,207,432</u>
LIABILITIES		
Accounts payable and accrued liabilities.....	\$ 10,908	\$ 21,259
Due to local governments.....	2,542,513	2,783,560
All other liabilities.....	<u>95,647</u>	<u>42,023</u>
Total liabilities.....	<u>2,649,068</u>	<u>2,846,842</u>
FUND DEFICIT.....	<u>(1,683,234)</u>	<u>(1,639,410)</u>
TOTAL LIABILITIES AND FUND DEFICITS.....	<u>\$ 965,834</u>	<u>\$ 1,207,432</u>

AGENCY DIRECTOR

During Examination Period: Dr. Christopher A. Koch, Ed.D.
Currently: Dr. Christopher A. Koch, Ed.D.

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

NEED TO IMPROVE FINANCIAL REPORTING

The Illinois State Board of Education (Board) did not identify or prevent misstatements in the Generally Accepted Accounting Principles (GAAP) Reporting Package and the draft financial statements provided to auditors.

Expenditures, liabilities, and federal receivables were miscalculated

- The Board understated fiscal year 2013 expenditures, liabilities, and federal receivables by \$16,963,347 due to the inaccurate calculation of adjustments to grant expenses and liabilities as of fiscal year-end for subrecipients. This also resulted in an understatement of \$21,478,388 in unavailable deferred revenue and overstatement of \$4,515,041 in federal operating grants revenue.

Over \$51 million in grants to sub-recipients were not reported

- The Board did not report the cost of grants provided to sub-recipients totaling \$51,557,728 for noncash and cash grants in the Grant/Contract Analysis Form of the GAAP Reporting Package. (Finding 1, Pages 41-42) **This finding was first reported in 2011.**

We recommended the Board review its current process for preparation and review of the annual financial statements and GAAP Reporting Package to ensure that financial information is complete and accurate.

Board officials agree with auditors

Board management agreed with the finding and stated they plan to automate the liability calculation and perform data analyses to ensure calculations are reasonable. Management also stated they will ensure proper reporting of sub-recipient amounts in the future. (*For the previous Board response, see Digest Footnote #1.*)

OTHER FINDING

The remaining finding pertaining to inaccurate reporting of reasons for exiting Limited English Proficient Programs is reportedly being given attention by the Board. We will review the Board's progress towards the implementation of our recommendations in our next engagement.

AUDITOR'S OPINION

Our special assistant auditors stated that the Board's financial statements of the governmental activities, the major fund, and the aggregate remaining fund information, as of and for the year ended June 30, 2013, are fairly stated in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:LKW

AUDITORS ASSIGNED

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

DIGEST FOOTNOTE

#1 Need to Improve Financial Reporting - Previous Board Response

Agency management agrees with the finding. The Agency will implement modifications to the Electronic Expenditure Reporting System. Beginning with all fiscal year 2013 federal grant budget based programs, Local Education Agencies (LEAs) will be allowed to enter and confirm outstanding obligations on all June 30 required expenditure reports. Further, as cumulative cash basis expenditure reports are submitted for periods after June 30, LEAs will be required to split and confirm the calculated payment to reflect the portion attributed to the liquidation of obligations as of June 30 and prior from the portion attributed to expenditures for activities and obligations that occur July 1 and later. The fiscal year distinction will also be required and confirmed of any advances that are entered by the LEAs. Preliminary discussions have already occurred to implement these changes. The Agency will modify the State and Federal Grant Administration Policy, Fiscal Requirements and Procedures to reflect these changes as well as communicate the new requirements via webinars and other Agency communication channels to all LEAs that will be submitting June 30 expenditure reports. In addition, the Agency will ensure that the liability for the reorganization incentive liability will be classified properly on future financial statements.