



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS LITERACY FOUNDATION

**Financial Audit
 For the Two Years Ended June 30, 2019**

Release Date: June 11, 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: 1							

INTRODUCTION

The Illinois Literacy Foundation (Foundation) was created to promote literacy among the residents of the State of Illinois by supporting literacy programs and enhancing Statewide literacy awareness, to make grants and gifts in aid and support of the goal, and to engage generally in other lawful endeavors consistent with the foregoing purposes.

This digest covers the financial statement audit of the Foundation as of and for the two years ended June 30, 2019. The Foundation's compliance examination covering the two years ended June 30, 2019 will be released under a separate cover.

SYNOPSIS

- **(19-1)** The Foundation did not maintain accurate inventory records for the years ended June 30, 2018 and June 30, 2019.

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.

**ILLINOIS LITERACY FOUNDATION
FINANCIAL AUDIT
For the Two Years Ended June 30, 2019**

STATEMENT OF NET POSITION	2019	2018	2017
Assets			
Cash and cash equivalents.....	\$ 13,646	\$ 17,075	\$ 18,327
Inventory.....	3,463	7,254	-
Total Assets.....	<u>17,109</u>	<u>24,329</u>	<u>18,327</u>
Net Position			
Assigned/Unrestricted.....	13,646	17,075	16,827
Nonspendable/Restricted.....	3,463	7,254	1,500
Total.....	<u>\$ 17,109</u>	<u>\$ 24,329</u>	<u>\$ 18,327</u>
REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE/STATEMENT OF ACTIVITIES	2019	2018	2017
Program Revenues			
Operating grants and contributions.....	\$ 13,061	\$ 9,151	\$ 2,712
General Revenues			
Contributions not restricted to specific programs.....	11,754	10,800	16,331
Investment income.....	8	8	10
Total Revenues.....	<u>24,823</u>	<u>19,959</u>	<u>19,053</u>
Expenses			
Program expenses.....	32,043	13,957	23,560
Total Expenses.....	<u>32,043</u>	<u>13,957</u>	<u>23,560</u>
Change in net position.....	<u>\$ (7,220)</u>	<u>\$ 6,002</u>	<u>\$ (4,507)</u>
EXECUTIVE DIRECTOR			
During Audit Period and Current: Mr. Thomas N. Benigno			

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INACCURATE INVENTORY RECORDS

The Foundation did not maintain accurate inventory records for the years ended June 30, 2018 and June 30, 2019.

Foundation unable to provide records to support number of books accepted

During our testing of inventory, the Foundation was unable to provide inventory records to support the number of books accepted for each fiscal year and the Foundation did not have any inventory listings as of June 30, 2018 and June 30, 2019.

The Foundation did provide a listing of the number of books that were distributed to each school for each fiscal year. During our testing over the distribution listings provided by the Foundation, we were unable to verify the amounts that were recorded on financial statements as inventory expense for both fiscal years 2018 and 2019. During our testing, we noted the following exceptions to the distribution listing:

Distribution listing did not identify the books by type

- The distribution listing for fiscal year ending June 30, 2018 did not identify the books by type; therefore, we were unable to recalculate the total value distributed in fiscal year 2018.
- The fiscal year 2019 distribution records did not agree to the fiscal year 2019 final inventory summary. We noted differences of 33 picture books, (714) chapter books and 8 easy read books. These differences totaled (\$1,112).

Distribution records and final inventory summary differed by \$1,112

The Foundation utilized a website which provides an online marketplace for books to value its inventory at the beginning of fiscal year 2018. The Foundation selected a sample of 50 books from each category to determine the average price per type of book. The Foundation carried forward the averages obtained from the website for the remainder of the engagement period. In our inventory pricing testing, we sampled 20 books to verify the Foundation was using the lowest price listed on the website to calculate the average inventory cost that was used to price inventory. Testing of this process was the only manner the auditors could test the Foundation's inventory pricing. Of the books tested, we noted 14 of the 20 (70%) books had a difference in cost per the website than listed by the Foundation in their sample pricing. The cost difference totaled \$1.32 for the 14 books noted with differences. Due to the inaccurate inventory records, this cost difference cannot be extrapolated over the entire inventory population to determine the material effect on the financial

statements. The Foundation did not preserve documentation of its initial pricing exercise.

We recommended the Foundation strongly emphasize the importance of maintaining accurate inventory records throughout the year and reconcile those to Foundation records. Finally training and ongoing education should be provided to all employees involved in the inventory process.

Foundation concurs with auditors

Foundation officials concurred with the recommendation.

AUDITOR'S OPINION

The auditors stated the financial statements of the Foundation as of and for the years ended June 30, 2018, and June 30, 2019, are fairly stated in all material respects.

This financial audit was conducted by Sikich, 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

FJM:sdw