



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #3
BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY
COUNTIES

FINANCIAL AUDIT
For the Year Ended: June 30, 2016

Release Date: August 22, 2017

FINDINGS THIS AUDIT: 2	AGING SCHEDULE OF REPEATED FINDINGS						
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	1	1	2015	16-1		
Category 2:	1	0	1				
Category 3:	0	0	0				
TOTAL	1	1	2				
FINDINGS LAST AUDIT: 1							

SYNOPSIS

- **(16-1)** The Regional Office of Education #3 did not have sufficient internal controls over the financial reporting process.
- **(16-2)** The Regional Office of Education #3 did not properly implement internal controls over payroll and grant compliance.

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/or **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with federal and/or State laws and regulations.

{Revenues and expenditures are summarized on the reverse page.}

REGIONAL OFFICE OF EDUCATION #3
BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2016

	FY 2016	FY 2015
TOTAL REVENUES	\$3,519,252	\$2,080,726
Local Sources	\$759,316	\$383,273
% of Total Revenues	21.58%	18.42%
State Sources	\$2,078,537	\$1,167,131
% of Total Revenues	59.06%	56.09%
Federal Sources	\$681,399	\$530,322
% of Total Revenues	19.36%	25.49%
TOTAL EXPENDITURES	\$3,463,242	\$2,092,880
Salaries and Benefits	\$2,362,034	\$1,484,735
% of Total Expenditures	68.20%	70.94%
Purchased Services	\$522,865	\$331,473
% of Total Expenditures	15.10%	15.84%
All Other Expenditures	\$578,343	\$276,672
% of Total Expenditures	16.70%	13.22%
TOTAL NET POSITION	\$635,499 ¹	\$585,387
INVESTMENT IN CAPITAL ASSETS	\$74,060	\$41,175
¹ The FY 2016 beginning net position was restated by (\$5,898) due to a prior period adjustment to record tuition expense payable and the merger of ROE #10 into ROE #3. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Julie Wollerman Currently: Honorable Julie Wollerman

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**CONTROLS OVER FINANCIAL STATEMENT
PREPARATION**

The Regional Office of Education #3 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #3 (ROE) is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The ROE's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

The ROE did not have sufficient internal controls over the financial reporting process. The ROE maintains its accounting records on the cash basis of accounting during the fiscal year and posts year-end accrual and other applicable entries for financial statement purposes. While the ROE maintains controls over the processing of most accounting transactions, there were not sufficient controls over the preparation of GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

The ROE did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unavailable revenue. While the ROE did maintain records to indicate the balances of accounts receivable, accounts payable, and unavailable revenue, numerous material adjustments were needed to make the financial statements comply with generally accepted accounting principles.

In addition, the ROE did not have adequate controls to record and report the ROE's net accrued pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses in accordance with GAAP. Proposed adjusting entries by auditors were approved and accepted by the ROE's management.

According to the ROE's management, they did not have adequate funding to hire and/or train their accounting personnel in order to maintain a system of internal control over the preparation of financial statements in accordance with GAAP. The complex requirements of GASB Statements No. 68 and No. 71 require additional time and training before the ROE can fully implement the requirement on its own. (Finding 2016-001, pages 10a-10b)

The auditors recommended that as part of its internal control over the preparation of financial statements, the ROE should implement comprehensive preparation procedures to ensure that the financial statements are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of the ROE's activities and operations.

The ROE responded that it will continue to evaluate the time/training required to implement these standards and the funding available to do so.

INTERNAL CONTROLS OVER PAYROLL AND GRANT COMPLIANCE

The Regional Office of Education #3 did not properly implement internal controls over payroll and grant compliance.

Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires charges for salaries and benefits to be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated. It also requires that records are used to support the distribution of employees' salary and benefits among specific activities if the employee only works part of the time on a federal award program. It further states that budget estimates alone do not qualify as support for salary and benefit charges to a federal award.

The Illinois State Board of Education (ISBE) *State and Federal Grant Administration Policy, Fiscal Requirements and Procedures*, requires that auditable "time and effort" documentation should be written, after the fact (not estimated or budgeted) documentation of how the time was spent. Time and effort reports should be prepared by any staff with salary charged (1) directly to a federal award, (2) directly to multiple federal awards, or (3) directly to any combination of a federal award or other federal, State, or local funds. Additionally, all time and effort sheets and other supporting documentation must be retained at the local level and be available for review or audit any time within three years after termination of the project or until the local entity is notified in writing from ISBE that the records are no longer needed for review or audit.

The ROE was unable to produce time and effort documentation used to distribute the salary and benefit costs for an employee who partly worked on Adult Education and Family Literacy (Federal) and partly on Truants Alternative/Optional Education General State Aid and also for an employee who partly worked on McKinney Education for Homeless Children (Federal) and partly on County and Early Childhood Block Grants. These two employees completed inadequate time sheets that were based on a previous time and

effort study rather than using actual time and effort documentation. Furthermore, there was no review of the amounts charged to federal awards based on budget estimates in order to make necessary adjustments ensuring that the final amounts charged to the federal awards is accurate, allowable, and properly allocated.

According to the ROE's management, proper time and effort documentation was not maintained in order to provide amounts charged to programs that were accurate, allowable, and properly allocated. (Finding 2016-002, pages 10c-10d)

The auditors recommended that the ROE should develop and implement written policies and procedures over payroll to ensure that proper controls are in place over the use and maintenance of adequate time and effort documentation as required by the Uniform Guidance and the *ISBE State and Federal Grant Administration Policy, Fiscal Requirements and Procedures*.

The ROE responded that current policies and procedures provide for the best service possible. In the future, the ROE will work on completing time and effort sheets that meet this compliance standard.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #3's financial statements as of June 30, 2016 are fairly presented in all material respects.

This financial report was conducted by the firm of Doehring, Winders & Co., LLP.

SIGNED ORIGINAL ON FILE

AMEEN DADA
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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