



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #8
CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES

FINANCIAL AUDIT
For the Year Ended: June 30, 2016

Release Date: June 29, 2017

FINDINGS THIS AUDIT: 1				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since 2010	Category 1	Category 2	Category 3
Category 1:	<u>New</u> 0	<u>Repeat</u> 1	<u>Total</u> 1	16-1			
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	0	1	1				
FINDINGS LAST AUDIT: 2							

SYNOPSIS

- **(16-1)** The Regional Office of Education #8 did not have sufficient internal controls over the financial reporting process.

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 #8
CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2016

	FY 2016	FY 2015
TOTAL REVENUES	\$5,224,561	\$5,717,236
Local Sources	\$1,233,999	\$1,122,887
% of Total Revenues	23.62%	19.64%
State Sources	\$3,714,054	\$4,444,046
% of Total Revenues	71.09%	77.73%
Federal Sources	\$276,508	\$150,303
% of Total Revenues	5.29%	2.63%
TOTAL EXPENDITURES	\$5,158,096	\$5,725,172
Salaries and Benefits	\$3,287,113	\$3,020,553
% of Total Expenditures	63.73%	52.76%
Purchased Services	\$766,364	\$950,917
% of Total Expenditures	14.86%	16.61%
All Other Expenditures	\$1,104,619	\$1,753,702
% of Total Expenditures	21.42%	30.63%
TOTAL NET POSITION	\$1,530,526	\$1,464,061
INVESTMENT IN CAPITAL ASSETS	\$24,290	\$19,864
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT

During Audit Period: Honorable Aaron Mercier

Currently: Honorable Aaron Mercier

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**CONTROLS OVER FINANCIAL STATEMENT
PREPARATION**

The Regional Office of Education #8 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #8 (ROE) is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The Regional Office'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. While the ROE maintains control over the processing of most accounting transactions, there were not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect and correct financial statement misstatements and disclosure omissions in a timely manner.

During review of the ROE's financial information, it was noted the ROE did not have adequate controls to ensure financial statement balances were accurate. While the ROE did maintain records to indicate the balances of financial statement accounts, numerous material audit adjustments, including those required under GASB Statements No. 34, No. 68, and No. 71, were proposed in order to ensure those balances were accurate.

Management did not effectively detect all of the material adjustments, including those required under GASB Statements No. 34, No. 68, and No. 71, needed in order to present financial statements in accordance with GAAP. (Finding 2016-001, pages 11-13) **This finding was first reported in 2010.**

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

The ROE responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The ROE accepts the degree of risk associated with this condition because the added expense of seeking additional expertise to prepare and/or review financial statements would take away from the funds available to provide educational services to students and teachers. The cost of hiring and training additional staff or contracting services outweighs the benefit. If additional resources are made available through the State of Illinois, the Regional Office will consider seeking the services of an accountant to review the financial statements and related disclosures for completeness and accuracy. (For previous Regional Office response, see Digest Footnote #1.)

AUDITORS' OPINION

Our auditors state the Regional Office of Education #8's financial statements as of June 30, 2016 are fairly stated in all material respects.

This financial report was conducted by the firm of Winkel, Parker & Foster, CPA PC.

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

FJM:KJM

DIGEST FOOTNOTE

#1: Controls Over Financial Statement Preparation – Previous Regional Office Response

In its prior response in 2015, the ROE responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization this size. The Regional Office accepts the degree of risk associated with this condition because the added expense of seeking additional expertise to prepare and/or review financial statements would take away from the funds available to provide educational services to students and teachers. The cost of hiring and training additional staff or contracting services outweighs the benefit. If additional resources are made available through the State of Illinois, the Regional Office will consider seeking the services of an accountant to review the financial statements and related disclosures for completeness and accuracy.