



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #20
EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE AND
WHITE COUNTIES

FINANCIAL AUDIT
 For the Year Ended: June 30, 2015

Release Date: September 22, 2016

FINDINGS THIS AUDIT: 5	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	2	3	2011	15-1		
Category 2:	1	1	2	2014	15-3	15-2	
Category 3:	0	0	0				
TOTAL	2	3	5				
FINDINGS LAST AUDIT: 6							

SYNOPSIS

- **(15-1)** The Regional Office of Education #20 did not have sufficient internal controls over the financial reporting process.
- **(15-2)** The Regional Office of Education #20 did not have adequate controls over grant compliance.
- **(15-3)** The Regional Office of Education #20 did not have sufficient internal controls over monthly bank reconciliations.
- **(15-4)** The Regional Office of Education #20 did not have adequate internal controls over cash balances.
- **(15-5)** The Regional Office of Education #20 did not have adequate internal controls over the preparation of journal entries.

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 #20
EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE AND
WHITE COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2015

	FY 2015	FY 2014
TOTAL REVENUES	\$2,384,657	\$2,310,921
Local Sources	\$316,473	\$324,713
% of Total Revenues	13.27%	14.05%
State Sources	\$1,681,343	\$1,557,371
% of Total Revenues	70.51%	67.39%
Federal Sources	\$386,841	\$428,837
% of Total Revenues	16.22%	18.56%
TOTAL EXPENDITURES	\$2,358,440	\$2,345,465
Salaries and Benefits	\$1,726,264	\$1,751,579
% of Total Expenditures	73.20%	74.68%
Purchased Services	\$498,201	\$473,214
% of Total Expenditures	21.12%	20.18%
All Other Expenditures	\$133,975	\$120,672
% of Total Expenditures	5.68%	5.14%
TOTAL NET POSITION	\$25,831 ¹	\$7,041
INVESTMENT IN CAPITAL ASSETS	\$36,015	\$31,587
¹ The FY 2015 beginning net position was restated by (\$7,427) due to a prior period adjustment for new reporting requirements for pensions. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Lawrence Fillingim
Currently: Honorable Lawrence Fillingim

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**CONTROLS OVER FINANCIAL STATEMENT
PREPARATION**

The Regional Office of Education #20 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #20 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office 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 Regional Office of Education #20 did not have sufficient internal controls over the financial reporting process. While the Regional Office maintains controls over the processing of most accounting transactions, there are 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.

During review of the Regional Office's financial information prepared by the Regional Office of Education #20, auditors noted the ROE's financial information required material adjusting entries to accounts receivable, accounts payable, accrued payroll, and unearned revenue in order to present its financial statements in accordance 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/assets, deferred outflows of resources, deferred inflows of resources and pension expenses in accordance with GAAP. Proposed adjusting entries were approved and accepted by ROE management.

According to Regional Office officials, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements. Additionally, the complex requirements of GASB Statements No. 68 and No. 71 were new for fiscal year 2015 and will require additional time and training before the ROE can fully implement the requirements on its own. (Finding 2015-001, pages 11a-11b) **This finding was first reported in 2011.**

The auditors recommended that as part of internal control over the preparation of financial statements, the Regional Office of Education #20 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 applicable GAAP, GASB pronouncements, and knowledge of the Regional Office of Education #20's activities and operations.

The Regional Office of Education #20 responded that it will work with other Regional Offices of Education for professional development and necessary training to ensure that the proper employees possess the knowledge required to compile the necessary GAAP based financial statements. (For previous Regional Office response, see Digest Footnote #1 located at the end of the digest.)

CONTROLS OVER GRANT COMPLIANCE

The Regional Office of Education #20 did not have adequate controls over grant compliance.

Grant agreements require the Regional Office to report actual expenditures incurred rather than reporting based on the amount budgeted in the grant agreement.

Currently, the Regional Office does not document the time and effort of employees that are paid from multiple grants in order to allocate salaries to the grants based on actual cost.

The Regional Office of Education #20 did not have a system of internal controls in place to ensure that salary and benefit costs for employees paid from multiple grants are allocated based on actual time and effort expended on each program. (Finding 2015-002, page 11c)

The auditors recommended that the Regional Office of Education #20 should formally document the time and effort spent on each grant for employees paid from multiple grant sources and allocate actual costs to each grant accordingly.

The Regional Office of Education #20 responded that it has implemented the use of time and effort sheets for federal funded grants to ensure accurate allocation of funds to each grant accordingly. (For previous Regional Office response, see Digest Footnote #2 located at the end of the digest.)

PREPARATION OF MONTHLY BANK RECONCILIATIONS

The Regional Office of Education #20 did not have sufficient internal controls over monthly bank reconciliations.

As a basic cash management procedure, the Regional Office of Education #20 should be preparing bank reconciliations for each of its cash accounts on a monthly basis. This procedure should be incorporated as part of the monthly closing procedures.

During the fiscal year, the Regional Office of Education #20 did not reconcile any of its cash accounts until after the fiscal year end in preparation for the annual audit.

The Regional Office of Education #20 did not have sufficient internal controls over its monthly financial closing process

that includes monthly bank reconciliations. (Finding 2015-003, page 11d)

The auditors recommended that the Regional Office of Education #20 should develop and implement sufficient internal controls over its monthly financial closing process to ensure that all bank statements are reconciled to the general ledger in a timely manner and that reconciliations are reviewed by an individual independent of the preparation process to ensure the reconciliation is mathematically correct and the reconciled balance agrees to the general ledger accounts(s).

The Regional Office of Education #20 responded that all bank accounts are reconciled monthly to the general ledger. The reconciled statements are then reviewed by a third party that did not participate in the reconciliation. (For previous Regional Office response, see Digest Footnote #3 located at the end of the digest.)

CONTROLS OVER CASH BALANCES

The Regional Office of Education #20 did not have adequate internal controls over cash balances.

The Regional Office of Education's investment policy indicates that it follows the Illinois Public Funds Investment Act (30 ILCS 235/1 et. seq.) (Act). The Act gives the authorization for deposits in excess of the federally insured limit to be covered by pledged collateral held by the financial institutions' trust departments in the Regional Office #20's name. In addition, prudent business practice requires that all cash and investments held by financial institutions for the Regional Office be adequately covered by depository insurance or collateral. (Finding 2015-004, page 11e)

During the current fiscal year, the Regional Office had funds in excess of the federally insured limit that were not collateralized. At June 30, 2015, \$67,526 of the Regional Office of Education #20's \$429,972 deposited with financial institutions was uncollateralized and uninsured.

The financial institution and the Regional Office failed to monitor deposit and collateral balances. (Finding 2015-004, page 11e)

The auditors recommended that the Regional Office of Education #20 should monitor deposit and collateral balances throughout the year to ensure sufficient collateral is held to secure its bank deposits.

The Regional Office of Education #20 responded that Security Pledges have been received to ensure adequate collateral balances.

CONTROLS OVER PREPARATION OF JOURNAL ENTRIES

The Regional Office of Education #20 did not have adequate internal controls over the preparation of journal entries.

The Regional Superintendent of Schools is required to maintain a system of controls over financial processes.

During review of the Regional Office's financial information, auditors noted the journal entries posted to the Regional Office's accounting system were not supported by documentation to indicate the purpose of the journal entry. In addition, there was no indication the journal entries were reviewed and approved by an individual independent of the general ledger process.

The Regional Office did not maintain sufficient support for journal entries made during the year. (Finding 2015-005, page 11f)

The auditors recommended that the Regional Office should maintain supporting documentation for all journal entries that are made throughout the year and each journal entry should have documented review and approval by an individual independent of the general ledger process.

The Regional Office responded that it is maintaining and attaching supporting documentation to each journal entry. More descriptive reasons for the entries and a review by a third party for approval and verification of accuracy have been implemented.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #20's financial statements as of June 30, 2015 are fairly presented in all material respects.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:JRB

AUDITORS ASSIGNED: Kemper CPA Group, LLP were our special assistant auditors.

DIGEST FOOTNOTES

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

In its prior response in 2014, the Regional Office of Education #20 responded that it is completing actions, with regards to the preparation of the financial statements, on a timely manner, and not waiting until the end of the year in preparation for the annual audit. The Regional Office stated that monthly and quarterly duties are performed timely and approved by the Regional Superintendent. Extra training is not deemed possible due to the added cost of the training, but it is taking into account all of the suggestions of its auditors and implementing any and all suggestions that they may provide. The Regional Office noted that once the cost of additional training is plausible, the proper employees will receive the necessary training. The Regional Office of Education is adding additional information to support the adjusting journal entries.

#2: Controls Over Grant Compliance - Previous Regional Office Response

In its prior response in 2014, the Regional Office of Education #20 responded that it was unaware that time and effort sheets were needed. Time and effort sheets are currently being completed.

#3 Preparation of Monthly Bank Reconciliations – Previous Regional Office Response

In its prior response in 2014, the Regional Office of Education #20 responded that all bank reconciliations are currently being completed on a monthly basis.