



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN, JOHNSON, MASSAC, AND WILLIAMSON COUNTIES

FINANCIAL AUDIT (In accordance with the
 Uniform Guidance)
 For the Year Ended: June 30, 2018

Release Date: November 21, 2019

FINDINGS THIS AUDIT: 2				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	<u>Repeated Since</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
Category 1:	0	2	2	2017	18-1		
Category 2:	0	0	0	2017	18-2		
Category 3:	0	0	0				
TOTAL	0	2	2				
FINDINGS LAST AUDIT: 2							

SYNOPSIS

- **(18-1)** The Regional Office of Education #21 did not have sufficient internal controls over the financial reporting process.
- **(18-2)** The Regional Office of Education #21 did not have sufficient internal controls over restricted cash.

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 #21
FRANKLIN, JOHNSON, MASSAC, AND WILLIAMSON COUNTIES

FINANCIAL AUDIT
(In Accordance with the Uniform Guidance)
For The Year Ended June 30, 2018

	FY 2018	FY 2017
TOTAL REVENUES	\$3,639,680	\$3,971,731
Local Sources	\$732,430	\$697,513
% of Total Revenues	20.12%	17.56%
State Sources	\$2,094,993	\$1,903,257
% of Total Revenues	57.56%	47.92%
Federal Sources	\$812,257	\$1,370,961
% of Total Revenues	22.32%	34.52%
TOTAL EXPENDITURES	\$3,501,624	\$4,931,080
Salaries and Benefits	\$2,362,175	\$3,732,624
% of Total Expenditures	67.46%	75.70%
Purchased Services	\$317,837	\$496,307
% of Total Expenditures	9.08%	10.06%
All Other Expenditures	\$821,612	\$702,149
% of Total Expenditures	23.46%	14.24%
TOTAL NET POSITION	(\$3,282,354) ¹	(\$2,400,715)
INVESTMENT IN CAPITAL ASSETS	\$49,644 ²	\$34,451
¹ The FY 2018 beginning net position was restated by (\$1,019,695) due to a prior period adjustment for new reporting requirements for other postemployment benefits. ² Capital asset amounts include debt associated with a capital lease. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Lorie LeQuatte Currently: Honorable Lorie LeQuatte

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**CONTROLS OVER FINANCIAL STATEMENT
PREPARATION**

The Regional Office of Education #21 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #21 (ROE) did not have sufficient internal controls over the financial reporting disclosure process. The ROE maintained its accounting records on the cash basis of accounting during the fiscal year and posted year end accrual entries for audit purposes. While the ROE maintained controls over the processing of accounting transactions, including providing information for several reconciling items between the governmental fund financial statements and the statement of net position and statement of activities, there were not sufficient controls over the preparation of generally accepted accounting principles (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 is required to maintain a system of controls over the preparation of financial statements in accordance with GAAP. Regional Office internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

During review of the financial information prepared by the ROE, it was noted that while the ROE provided financial information for the required disclosures, additional assistance was needed for required disclosures supporting the financial information. Specifically, additional assistance was needed for the disclosures and required supplementary information relating to GASB Statements No. 68, 71, and 75.

Regional Office management indicated the accounting staff is still in the process of obtaining training over applicable GAAP and GASB pronouncements, specifically the new GASB Statements requiring extensive disclosures and additional reporting requirements. The accountant prepared the majority of the financial statement information for the first time this year and will continue to improve on the financial reporting process. (Finding 18-001, pages 14 – 15)

The auditors recommended as part of its internal control over the preparation of financial statements, including disclosures, the ROE should continue to implement a comprehensive preparation and/or review procedure to ensure that the

financial statements, including disclosures, are complete and accurate. Such procedures should be performed by an individual(s) possessing a thorough understanding of applicable GAAP, GASB pronouncements, and knowledge of the ROE's activities and operations.

ROE Response: *As governmental accounting and reporting standards continue to shift rapidly, the ROE will monitor and identify trainings in order for our current staff to have the most up-to-date training and be able to accurately prepare the financial information. The ROE will secure the services of an individual or accounting firm possessing the understanding of applicable GAAP, GASB pronouncements, and knowledge of the ROE's activities and operations until the ROE is trained in the preparation of such financial statements.*

INTERNAL CONTROLS OVER RESTRICTED CASH

The Regional Office of Education #21 did not have sufficient internal controls over restricted cash.

The Regional Office of Education #21 (ROE) pools most of its cash into one operating bank account. With such an account, funds with deficit cash balances are considered to have borrowed cash from other funds to cover their expenditures. At June 30, 2018, the ROE reported a deficit cash balance in several of its funds. Cash totaling \$20,001 from the Technology Institute Fund was reduced to cover these deficit balances. Loans to other funds are an unauthorized use of restricted fund monies.

Illinois statute (105 ILCS 5/3-12) restricts the use of Institute Fund monies to defray expenses associated with the work of the regional professional development review committees; to defray expenses connected with improving the technology necessary for the efficient processing of licenses; to defray all costs associated with the administration of teaching licenses; to defray expenses incidental to teachers' institutes, workshops or meetings of a professional nature that are designed to promote the professional growth of teachers; or to defray the expense of any general or special meeting of teachers or school personnel of the region, which has been approved by the regional superintendent.

Regional Office management indicated that several of the ROE's programs operate on a reimbursement basis, creating a period during which the program has paid expenditures for which it has not received funding. The unrestricted funds available to cover these expenditures were not sufficient to cover the deficit cash balances. (Finding 18-002, pages 16 – 17)

The auditors recommended the ROE should initiate procedures to monitor cash and ensure that restricted funds are only expended for their restricted purposes. In addition, the ROE should make transfers from funds with unrestricted cash and/or seek lines of credit to pay expenditures for reimbursable programs that have insufficient cash.

ROE Response: *The ROE understands the finding. With limited financial resources, the Regional Superintendent will work with the accounting department to closely monitor available funds in each account and ensure that only unrestricted funds are used to cover programs that have insufficient cash when payments are delayed by the State or other funding source.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #21's financial statements as of June 30, 2018 are fairly presented in all material respects.

This financial audit was conducted by the firm of Sikich LLP.

SIGNED ORIGINAL ON FILE

JOE BUTCHER
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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