



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #24
GRUNDY AND KENDALL COUNTIES

FINANCIAL AUDIT
For the Year Ended: June 30, 2016

Release Date: June 8, 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: 1							

SYNOPSIS

- **(16-1)** The Regional Office of Education #24 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 #24
GRUNDY AND KENDALL COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2016

	FY 2016	FY 2015
TOTAL REVENUES	\$2,740,996	\$2,259,183
Local Sources	\$592,759	\$336,919
% of Total Revenues	21.63%	14.91%
State Sources	\$1,962,311	\$1,748,720
% of Total Revenues	71.59%	77.40%
Federal Sources	\$185,926	\$173,544
% of Total Revenues	6.78%	7.68%
TOTAL EXPENDITURES	\$2,303,910	\$2,322,269
Salaries and Benefits	\$1,507,392	\$1,523,490
% of Total Expenditures	65.43%	65.60%
Purchased Services	\$326,952	\$356,796
% of Total Expenditures	14.19%	15.36%
All Other Expenditures	\$469,566	\$441,983
% of Total Expenditures	20.38%	19.03%
TOTAL NET POSITION	\$1,872,034 ¹	\$1,454,060
INVESTMENT IN CAPITAL ASSETS	\$292,916 ²	\$146,578
¹ The FY 2016 beginning net position was restated by (\$19,112) due to a prior period adjustment. ² Capital asset amounts include debt associated with a long-term operating lease. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Christopher Mehochko Currently: Honorable Christopher Mehochko

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #24 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #24 (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).

ROE #24 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 entries for financial statement purposes. While the ROE 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 ROE #24's financial information prepared by the ROE, auditors noted the Regional Office's financial information required material adjusting entries to cash, accounts receivable, accounts payable, operating lease obligation, and capital assets in order to present its financial statements in accordance with generally accepted accounting principles. Through inquiries and discussions with the ROE's accounting personnel and Regional Superintendent, auditors noted that 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 ROE 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 implemented in fiscal year 2015 and will require additional time and training before the ROE can fully implement the requirements on its own. (Finding 2016-001, pages 10-11) **This finding was first reported in 2010.**

The auditors recommended that as part of 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 has taken the following steps to address this finding:

1. Implemented a new software system--now in its fourth year of use;
2. Provided professional development opportunities to personnel.

The ROE also stated it will continue to address this finding using the limited resources it has. (For previous Regional Office response, see Digest Footnote #1 located at the end of the digest.)

AUDITORS' OPINION

Our auditors state the Regional Office of Education #24's financial statements as of June 30, 2016 are fairly presented in all material respects.

This financial audit was conducted by the firm of West & Company, LLC.

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 previous response in 2015, the Regional Office responded that it has taken the following steps to address this finding:

1. Implemented a new software system--now in its third year of use;
2. Provided professional development opportunities to personnel.

The Regional Office also stated that it will continue to address this finding using the limited resources it has.