



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, 2018

Release Date: October 9, 2019

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

SYNOPSIS

- **(18-1)** The Regional Office of Education #24 had insufficient collateralization of bank deposits.
- **(18-2)** The Regional Office of Education #24 did not provide completed financial statements in an auditable form by the August 31 deadline.
- **(18-3)** The Regional Office of Education #24 had inadequate census data for Illinois Municipal Retirement Fund employees.

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, 2018

	FY 2018	FY 2017
TOTAL REVENUES	\$2,585,612	\$2,598,108
Local Sources	\$335,818	\$317,793
% of Total Revenues	12.99%	12.23%
State Sources	\$2,074,945	\$2,102,478
% of Total Revenues	80.25%	80.92%
Federal Sources	\$174,849	\$177,837
% of Total Revenues	6.76%	6.84%
TOTAL EXPENDITURES	\$2,552,154	\$2,478,209
Salaries and Benefits	\$1,709,688	\$1,602,096
% of Total Expenditures	66.99%	64.65%
Purchased Services	\$296,312	\$344,807
% of Total Expenditures	11.61%	13.91%
All Other Expenditures	\$546,154	\$531,306
% of Total Expenditures	21.40%	21.44%
TOTAL NET POSITION	\$1,215,856 ¹	\$1,623,600
INVESTMENT IN CAPITAL ASSETS	\$291,712 ²	\$252,188
¹ The FY 2018 beginning net position was restated by (\$441,202) due to a prior period adjustment for new reporting requirements for other postemployment benefits. 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**

INSUFFICIENT COLLATERALIZATION OF BANK DEPOSITS

The Regional Office of Education #24 had insufficient collateralization of bank deposits.

The Regional Office of Education #24 (ROE) had not ensured that its cash deposits in excess of federally insured limits were sufficiently collateralized. At June 30, 2018, \$84,520 of the ROE's \$1,898,292 cash deposited with financial institutions was uncollateralized and uninsured.

The Regional Office is permitted to invest in securities as authorized by the Illinois Public Funds Investment Act (30 ILCS 235/6 (d)) (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 ROE's name. In addition, prudent business practice requires that all cash and investments held by the financial institutions for the Regional Office be adequately covered by depository insurance or collateral.

Regional Office officials indicated the financial institution and the ROE failed to monitor deposit and collateral balances. (Finding 18-001, page 11)

The auditors recommended the ROE should monitor collateral balances throughout the year to ensure sufficient collateral is held to secure its bank deposits.

ROE Response: *Upon hearing of this issue, the Regional Superintendent of Schools contacted the financial institution and made sure sufficient collateral was being held.*

DELAY OF AUDIT

The Regional Office of Education #24 did not provide completed financial statements in an auditable form by the August 31 deadline.

The Regional Office of Education #24 (ROE) did not provide completed financial statements in an auditable form by the August 31 deadline.

The ROE is subject to 105 ILCS 5/2-3.17a which requires the Auditor General's office to cause an audit to be made, as of June 30th of each year, of the financial statements of all accounts, funds and other moneys in the care, custody or control of the regional superintendent of schools of each educational service region in the State and of each educational service center established in the School Code. The audit is to be conducted in accordance with Generally Accepted Governmental Auditing Standards (GAGAS).

In accordance with 105 ILCS 5/2-3.17a, the Auditor General has promulgated administrative rules and regulations to govern this process. Those rules, 74 Ill. Adm. Code 420.320 (c) (2), state that for audit purposes, each regional office of education and educational service center shall make available to the Auditor General or his designee all books and records deemed necessary to make and complete the required audits. The records shall be in auditable form by August 15 of the succeeding fiscal year. Financial reports are to be available no later than August 31 in order for the annual audit to be completed by an independent auditor selected by the Auditor General. Annual financial statements are to be prepared on an accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

In addition, prudent business practices and transparency require timely preparation and completion of financial statements.

According to the ROE's management, the ROE hired an outside CPA firm to assist with the preparation of the audit. Due to training of new staff at the Regional Office, the CPA firm found errors that needed to be corrected. Due to corrections, scheduling conflicts ensued which led to the delay in audit fieldwork. (Finding 18-002, pages 12 – 13)

The auditors recommended the ROE should implement procedures to ensure compliance with 105 ILCS 5/2-3.17a and 74 Ill. Adm. Code 420.320 (c) (2). Annual financial statements should be compiled on an accrual basis of accounting in accordance with GAAP. These financial statements need to be presented to the Auditor General's independent auditors for audit by the August 31 deadline.

ROE Response: *Incorrect Fiscal Year 2017 Fund balances was the main cause of the delay.*

INADEQUATE CENSUS DATA FOR ILLINOIS MUNICIPAL RETIREMENT FUND EMPLOYEES

The Regional Office of Education #24 had inadequate census data for Illinois Municipal Retirement Fund employees.

During the audit of the Regional Office of Education #24 (ROE), auditors noted the actuarially determined pension report for the ROE Illinois Municipal Retirement Fund (IMRF) had census data that could not be confirmed as reasonably accurate.

Management is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud. Management of cost-sharing and agent employer plans are also responsible for the preparation and fair presentation of the financial statements in accordance with the applicable

financial reporting framework, including completeness and accuracy of census data.

According to Regional Office officials, a local special education cooperative (cooperative) and the ROE previously paid IMRF contributions using the same IMRF employer number. This arrangement was agreed upon several years ago by previous governing bodies. Upon the cooperative obtaining its own employer number in June of 2016, IMRF, with cooperation from the ROE, transferred the active employees of the cooperative to the new employer number. However, it cannot be determined at this time if the inactive and retired employees of the cooperative have been properly transferred to the new IMRF employer. (Finding 18-003, page 14)

The auditors recommended the ROE should work with IMRF to determine all employees associated with the ROE's IMRF account are actually employees of the ROE.

ROE Response: *The Regional Office has, and continues to, work with IMRF regarding this finding.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #24's financial statements are fairly presented in all material respects, except for the effect of not recognizing or disclosing Illinois Municipal Retirement Fund pension activity in the governmental activities as of June 30, 2018.

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

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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