



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #28
BUREAU/HENRY/STARK COUNTIES

FINANCIAL AUDIT (In Accordance with the Uniform Guidance) **Release Date: March 15, 2018**
For the Year Ended: June 30, 2017

FINDINGS THIS AUDIT: 2				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	2007	17-1		
Category 1:	0	1	1	2015		17-2	
Category 2:	0	1	1				
Category 3:	0	0	0				
TOTAL	0	2	2				
FINDINGS LAST AUDIT: 2							

SYNOPSIS

- **(17-1)** The Regional Office of Education #28 did not have sufficient internal controls over the financial reporting process.
- **(17-2)** The Regional Office of Education #28 did not have sufficient internal controls over fund accounting.

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 #28
BUREAU/HENRY/STARK COUNTIES

FINANCIAL AUDIT
(In Accordance with the Uniform Guidance)
For The Year Ended June 30, 2017

	FY 2017	FY 2016
TOTAL REVENUES	\$4,656,909	\$4,415,860
Local Sources	\$815,078	\$841,999
% of Total Revenues	17.50%	19.07%
State Sources	\$1,137,030	\$982,710
% of Total Revenues	24.42%	22.25%
Federal Sources	\$2,704,801	\$2,591,151
% of Total Revenues	58.08%	58.68%
TOTAL EXPENDITURES	\$4,426,025	\$4,293,096
Salaries and Benefits	\$2,048,712	\$1,907,277
% of Total Expenditures	46.29%	44.43%
Purchased Services	\$870,634	\$906,842
% of Total Expenditures	19.67%	21.12%
All Other Expenditures	\$1,506,679	\$1,478,977
% of Total Expenditures	34.04%	34.45%
TOTAL NET POSITION	\$1,857,306	\$1,626,422
INVESTMENT IN CAPITAL ASSETS	\$55,797	\$22,919
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Angela Zarvell Currently: Honorable Angela Zarvell

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #28 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #28 (ROE) did not have sufficient internal controls over the financial reporting process. While the ROE maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the 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 and correct 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, skill, and experience to prepare and/or thoroughly review GAAP based financial statements to ensure they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

During review of the Regional Office's financial information prepared by the ROE, auditors noted that the ROE did not have adequate controls over the maintenance of records of due from other governments, accounts payable, due to other governments, and unavailable revenue. While the ROE did maintain records to indicate the balances of these accounts, 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.

According to Regional Office officials, management did not effectively detect all of the material adjustments needed in order to present financial statements in accordance with GAAP. (Finding 17-001, pages 13-14) **This finding was first reported in 2007.**

The auditors recommended that as part of its internal control over the preparation of financial statements, including disclosures, the Regional Office 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.

ROE Response: *The ROE 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 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.*

Prior Year ROE Response: *The ROE 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 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.*

CONTROLS OVER FUND ACCOUNTING

The Regional Office of Education #28 did not have sufficient internal controls over fund accounting.

The Regional Office of Education #28 (ROE) did not ensure all individual funds were self-balanced and opening fund balance amounts agreed to the prior period closing fund balance amounts.

The ROE is required by the Illinois State Board of Education to maintain its accounting system in accordance with the *Regional Office of Education Accounting Manual* (Manual). The Manual requires the ROE to maintain an accounting system on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

According to Regional Office management, the ROE recently purchased a new accounting software package which provides the reporting features required for proper fund accounting. The ROE is still in the process of transitioning to the new software and is making adjustments with the assistance of the software vendors as deficiencies are noted. (Finding 17-002, pages 15-16) **This finding was first reported in 2015.**

The auditors recommended the ROE should assign a member of management with suitable skills, knowledge, and experience to review its trial balance reports at regular intervals throughout the year. The ROE should also ensure individual funds are self-balanced and opening fund balance amounts agree to the prior period closing fund balance amounts.

ROE Response: *The ROE will assign a member of management with suitable skills, knowledge, and experience to review the trial balance reports at regular intervals throughout the year. The ROE will also ensure individual funds are self-balanced and opening fund balance amounts agree to the prior period closing fund balance amounts.*

Prior Year ROE Response: *The ROE acquired accounting software that will produce trial balances. The transition continues in order to meet the specific needs of the ROE. Most recently, the system has been programmed to designate revenues and expenditures to the proper cash liability, revenue, and fund balance accounts.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #28's financial statements as of June 30, 2017 are fairly presented 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

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