



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: May 23, 2019
 For the Year Ended: June 30, 2018

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	1	1	2007	18-1		
Category 2:	0	0	0				
Category 3:	1	0	1				
TOTAL	1	1	2				
FINDINGS LAST AUDIT: 2							

SYNOPSIS

- **(18-1)** The Regional Office of Education #28 did not have sufficient internal controls over the financial reporting process.
- **(18-2)** The Regional Office of Education #28 did not provide an actuary report with all information needed to support its other postemployment benefits (OPEB) balances and related disclosures by the August 31 deadline.

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, 2018

	FY 2018	FY 2017
TOTAL REVENUES	\$3,803,309	\$4,656,909
Local Sources	\$563,903	\$815,078
% of Total Revenues	14.83%	17.50%
State Sources	\$1,183,963	\$1,137,030
% of Total Revenues	31.13%	24.42%
Federal Sources	\$2,055,443	\$2,704,801
% of Total Revenues	54.04%	58.08%
TOTAL EXPENDITURES	\$3,741,815	\$4,426,025
Salaries and Benefits	\$2,025,006	\$2,048,712
% of Total Expenditures	54.12%	46.29%
Purchased Services	\$476,137	\$870,634
% of Total Expenditures	12.72%	19.67%
All Other Expenditures	\$1,240,672	\$1,506,679
% of Total Expenditures	33.16%	34.04%
TOTAL NET POSITION	\$1,820,608 ¹	\$1,857,306
INVESTMENT IN CAPITAL ASSETS	\$54,685	\$55,797
¹ The FY 2018 beginning net position was restated by (\$98,192) due to a prior period adjustment for new reporting requirements for other postemployment benefits. 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 maintained controls over the processing of most accounting transactions, there were 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 amounts due from other governments, accounts payable, amounts 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, No. 71 and No. 75, were proposed in order to ensure those balances were accurate.

According to Regional Office management, they did not effectively detect all of the material adjustments needed in order to present financial statements in accordance with GAAP. (Finding 18-001, pages 13-15) **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 ROE 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. In the future, the Regional Office will contract services to assist in the preparation of financial statements.*

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.*

DELAY OF AUDIT

The Regional Office of Education #28 did not provide an actuary report with all information needed to support its OPEB balances and related disclosures by the August 31 deadline.

The actuary report provided by the Regional Office of Education #28 (ROE) at the start of its audit did not contain all of the information needed to support the ROE's other postemployment benefits (OPEB) balances and related disclosures. Subsequently, a revised actuary report was obtained.

The Regional Office 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 Regional Office management, the ROE was unaware that the actuary report originally provide did not contain all of the information needed to support the ROE's OPEB balances and related disclosures. (Finding 18-002, pages 16-17)

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: *This was the first year for implementation of the OPEB liability standard. The ROE did attempt to provide an actuary report. The ROE will have a report no later than August 31 in following years.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #28's financial statements as of June 30, 2018 are fairly presented in all material respects.

This financial audit was conducted by the firm of Winkel, Parker, & Foster, CPA PC.

SIGNED ORIGINAL ON FILE

KELLY MITTELSTAEDT
Audit Manager

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:JMM