



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #28
BUREAU, HENRY AND STARK COUNTIES

FINANCIAL AUDIT (In Accordance with the Uniform
 Guidance)

Release Date: August 13, 2020

For the Year Ended: June 30, 2019

FINDINGS THIS AUDIT: 2				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
Category 1:	<u>New</u> 0	<u>Repeat</u> 1	<u>Total</u> 1	2007	19-1		
Category 2:	1	0	1				
Category 3:	0	0	0				
TOTAL	1	1	2				
FINDINGS LAST AUDIT: 2							

SYNOPSIS

- **(19-1)** The Regional Office of Education #28 did not have sufficient internal controls over the financial reporting process.
- **(19-2)** The Regional Office of Education #28 had inadequate controls over the bank reconciliation 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.

REGIONAL OFFICE OF EDUCATION #28
BUREAU, HENRY AND STARK COUNTIES

FINANCIAL AUDIT
(In Accordance with the Uniform Guidance)
For The Year Ended June 30, 2019

	FY 2019	FY 2018
TOTAL REVENUES	\$4,007,177	\$3,803,309
Local Sources	\$444,018	\$563,903
% of Total Revenues	11.08%	14.83%
State Sources	\$1,188,210	\$1,183,963
% of Total Revenues	29.65%	31.13%
Federal Sources	\$2,374,949	\$2,055,443
% of Total Revenues	59.27%	54.04%
TOTAL EXPENDITURES	\$4,012,558	\$3,741,815
Salaries and Benefits	\$2,588,959	\$2,025,006
% of Total Expenditures	64.52%	54.12%
Purchased Services	\$325,509	\$476,137
% of Total Expenditures	8.11%	12.72%
All Other Expenditures	\$1,098,090	\$1,240,672
% of Total Expenditures	27.37%	33.16%
TOTAL NET POSITION	\$1,187,631 ¹	\$1,820,608
INVESTMENT IN CAPITAL ASSETS	\$52,808	\$54,685
¹ The FY 2019 beginning net position was restated by (\$627,596) due to a prior period adjustment for implementing reporting requirements for pension and 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, controls over the preparation of the generally accepted accounting principles (GAAP) based financial statements were not sufficient 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. ROE 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 the ROE did not account for transactions related to pension and other post-employment benefits (OPEB) with the Teachers' Retirement System of the State of Illinois (TRS) and Teachers' Health Insurance Security (THIS) Fund for ROE employees included in the plans. Accordingly, the ROE did not include the related disclosures and required supplementary information in the financial statements.

The following table presents the amounts not reported related to pension and OPEB:

	Pension	OPEB
Deferred Outflows related to Pensions	\$229,295	
Deferred Outflows related to OPEB		\$11,657
Net Pension Liability	(22,807)	
Net OPEB Liability		(232,952)
Deferred Inflows related to Pensions	(492,632)	
Deferred Inflows related to OPEB		(115,982)
Prior Period Adjustment on Net Position:		
TRIS Net Pension Liability	290,489	
THIS Net OPEB Liability		337,107
Current Year Expense Adjustment	\$4,345	\$(170)

The ROE also restated its net position as of July 1, 2018, to reflect TRS net pension liability of \$290,489 and THIS net OPEB liability of \$337,107.

Regional Office management indicated the payroll transactions for the employees under TRS and THIS were processed by another school district and the ROE did not realize GASB Statement No. 68 and GASB Statement No. 75 were applicable to these employees. (Finding 19-001, pages 14 – 16) **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.

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 ROE will assure that pension and OPEB transactions are included in the preparation of financial statements.*

INADEQUATE CONTROLS OVER BANK RECONCILIATION PROCESS

The Regional Office of Education #28 had inadequate controls over the bank reconciliation process.

The Regional Office of Education #28 (ROE) did not perform bank reconciliations timely for all of its bank accounts for 9 out of 12 months. Nine out of 12 months (75 %) were reconciled more than a month late.

Effective internal control policies require complete and accurate accounting records of all transactions of the entity. Sound internal controls require bank reconciliations to be performed accurately and promptly. Reconciling items should be investigated immediately and adjustments made to the general ledger. Bank reconciliations should also be reviewed and approved by a person independent of the preparer in a timely manner.

Regional Office officials indicated the bookkeeper left and the replacement started in February 2019. Additionally, due to competing priorities of completing outstanding fiscal duties, the monthly bank reconciliations from March 2019 to May 2019 were not completed until August 2019. (Finding 19-002, pages 17 – 18)

The auditors recommended the ROE should prepare monthly bank reconciliations on a timely basis. This would ensure that the cash balance per ledger is correct and cash transactions are fully accounted for. The ROE should cross-train employees to avoid untimely processing of bank reconciliations and have a

written policy on monthly performance of bank reconciliations.

ROE Response: *The ROE understands the nature of this finding. A vacancy and transition at the bookkeeper position resulted in delayed bank reconciliations.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #28's financial statements as of June 30, 2019 are fairly presented in all material respects.

This financial audit was conducted by the firm of Adelfia 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

FJM:JMM