



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #31**  
**KANE COUNTY**

**FINANCIAL AUDIT**  
**For the Year Ended: June 30, 2016**

**Release Date: May 18, 2017**

FINDINGS THIS AUDIT: 3	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since 2011	Category 1	Category 2	Category 3
Category 1:	0	1	1	2011	16-1		
Category 2:	2	0	2				
Category 3:	0	0	0				
<b>TOTAL</b>	<b>2</b>	<b>1</b>	<b>3</b>				
FINDINGS LAST AUDIT: 2							

**SYNOPSIS**

- **(16-1)** The Regional Office of Education #31 did not have sufficient internal controls over the financial reporting process.
- **(16-2)** The Regional Office of Education #31 did not have adequate internal controls in place over grant compliance.
- **(16-3)** The Regional Office of Education #31 did not have adequate internal controls in place over preparation of journal entries.

<b>Category 1:</b>	Findings that are <b>material weaknesses</b> in internal control and/or a <b>qualification</b> on compliance with State laws and regulations (material noncompliance).
<b>Category 2:</b>	Findings that are <b>significant deficiencies</b> in internal control and/or <b>noncompliance</b> with State laws and regulations.
<b>Category 3:</b>	Findings that have <b>no internal control issues but are in noncompliance</b> with federal and/or State laws and regulations.

{ Revenues and expenditures are summarized on the reverse page. }

**REGIONAL OFFICE OF EDUCATION #31**  
**KANE COUNTY**

**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2016**

	<b>FY 2016</b>	<b>FY 2015</b>
<b>TOTAL REVENUES</b>	\$4,911,942	\$4,347,383
Local Sources	\$1,202,531	\$923,181
% of Total Revenues	24.48%	21.24%
State Sources	\$3,561,173	\$3,293,795
% of Total Revenues	72.50%	75.77%
Federal Sources	\$148,238	\$130,407
% of Total Revenues	3.02%	3.00%
<b>TOTAL EXPENDITURES</b>	\$4,497,029	\$4,161,239
Salaries and Benefits	\$2,162,102	\$2,014,299
% of Total Expenditures	48.08%	48.41%
Purchased Services	\$1,107,921	\$976,909
% of Total Expenditures	24.64%	23.48%
All Other Expenditures	\$1,227,006	\$1,170,031
% of Total Expenditures	27.28%	28.12%
<b>TOTAL NET POSITION</b>	\$7,832,096 <sup>1</sup>	\$7,576,682
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$150,682 <sup>2</sup>	\$34,805
<sup>1</sup> The FY 2016 beginning net position was restated by a total of (\$159,499) due to prior period adjustments for the reporting requirements for pensions and for a change in the other postemployment benefit liability. <sup>2</sup> Capital asset amounts include debt associated with a capital lease. Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Patricia Dal Santo Currently: Honorable Patricia Dal Santo

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **CONTROLS OVER FINANCIAL STATEMENT PREPARATION**

**The Regional Office of Education #31 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #31 (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).

The 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 were not sufficient controls over the preparation of the 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.

During review of the ROE's financial information prepared by the Regional Office, auditors noted that the ROE did not have adequate controls over the maintenance of records of cash and accrued payroll. While the ROE did maintain records to indicate the balances of cash and accrued payroll, audit adjustments were proposed in order to ensure financial statement balances did not contain material misstatements.

Through inquiries and discussion with the ROE's accounting personnel and Regional Superintendent, auditors noted that the ROE did not have adequate controls to record and report the Regional Office's net pension liabilities, deferred outflows of resources, deferred inflows of resources, and pension expenses in accordance with GAAP.

ROE management did not effectively detect all of the adjustments needed in order to present financial statements in accordance with GAAP in a timely manner. (Finding 2016-001, pages 10-11) **This finding was first reported in 2011.**

The auditors recommended that as part of 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 generally accepted accounting principles, GASB

pronouncements, and knowledge of the ROE's activities and operations.

The ROE responded that the ROE prepares regular and timely reports to management for discussion. Additional transactions may be discussed as the year progresses in relation to various accounting events. Initial adoption of GASB 68 was cumbersome but future calculations should be less burdensome. (For previous Regional Office response, see Digest Footnote #1 shown at the end of the digest.)

### **CONTROLS OVER GRANT COMPLIANCE**

**The Regional Office of Education #31 did not have adequate internal controls in place over grant compliance.**

The Regional Office of Education #31 (ROE ) must incorporate certain procedures into its operations in order to comply with the grant agreements with the Illinois State Board of Education (ISBE) and other grantor agencies.

The ROE is responsible for establishing and maintaining an internal control system over the completion of timely quarterly expenditure reports required for grants administered by the Illinois State Board of Education.

During review of the ROE's quarterly expenditure reports, auditors noted that 14 of the 24 (58%) selected for testing were not submitted timely. The quarterly expenditure reports were submitted between one (1) and ninety-five (95) days late.

The ROE did not have adequate internal control procedures in place to ensure that expenditure reports were submitted timely.

The auditors recommended that ROE should implement adequate internal controls to ensure that expenditure reports are filed timely in the future to comply with the grant agreements and ensure continued funding.

The ROE responded that efforts are made to submit grant expenditure reports on time.

### **CONTROLS OVER PREPARATION OF JOURNAL ENTRIES**

**The Regional Office of Education #31 did not have adequate internal controls in place over preparation of journal entries.**

The Regional Office of Education #31 (ROE) is responsible for establishing and maintaining an internal control system over journal entries to prevent errors or fraud. In addition, adequate controls over compliance with laws, regulations, and grant agreements require supervisory review of expenditures charged to grant programs.

During review of the ROE's journal entries, auditors noted that 16 out of 16 entries selected for testing had no documentation to indicate that the entry had been reviewed by the Regional Superintendent or Assistant Regional Superintendent.

According to the ROE's management, they were aware that journal entries were being made in the accounting software. While management was informed verbally of adjustments, there was not proper documentation of the approval.

The auditors recommended that the ROE's Regional Superintendent or Assistant Regional Superintendent should formally review and approve all journal entries along with supporting documentation prior to the entries being posted to the accounting records.

The ROE responded that management is confident in the ethics and abilities of the finance staff but acknowledges that a review of entries is never a bad idea.

### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #31's financial statements as of June 30, 2016 are fairly presented in all material respects.

This financial report 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 prior response in 2015, the Regional Office of Education #31 responded that the Business Office will provide to the Superintendent regular and timely financial reports which include but are not limited to grant reporting, bank reconciliations, monthly financial reporting, and any other report needed for discussion of the Regional Office's financial well-being.

