



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #33**  
**HENDERSON, KNOX, MERCER, AND WARREN COUNTIES**

FINANCIAL AUDIT  
 For the Year Ended: June 30, 2016

Release Date: October 12, 2017

FINDINGS THIS AUDIT: 2				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
<b>Category 1:</b>	<u>New</u> <b>1</b>	<u>Repeat</u> <b>1</b>	<u>Total</u> <b>2</b>	2007	<b>16-1</b>		
<b>Category 2:</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>Category 3:</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>TOTAL</b>	<b>1</b>	<b>1</b>	<b>2</b>				
FINDINGS LAST AUDIT: 1							

**SYNOPSIS**

- **(16-1)** The Regional Office of Education #33 did not have sufficient internal controls over the financial reporting process.
- **(16-2)** The Regional Office of Education #33 did not have adequate internal control procedures.

**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 #33**  
**HENDERSON, KNOX, MERCER, AND WARREN COUNTIES**

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

	<b>FY 2016</b>	<b>FY 2015</b>
<b>TOTAL REVENUES</b>	\$2,743,805	\$695,725
Local Sources	\$572,335	\$62,060
% of Total Revenues	20.86%	8.92%
State Sources	\$1,607,182	\$580,731
% of Total Revenues	58.57%	83.47%
Federal Sources	\$564,288	\$52,934
% of Total Revenues	20.57%	7.61%
<b>TOTAL EXPENDITURES</b>	\$2,563,845	\$704,472
Salaries and Benefits	\$1,753,010	\$588,644
% of Total Expenditures	68.37%	83.56%
Purchased Services	\$365,297	\$99,044
% of Total Expenditures	14.25%	14.06%
All Other Expenditures	\$445,538	\$16,784
% of Total Expenditures	17.38%	2.38%
<b>TOTAL NET POSITION</b>	\$1,068,257 <sup>1</sup>	\$80,053
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$17,725	\$3,111
<sup>1</sup> The FY 2016 beginning net position was restated by \$808,244 due to a prior period adjustment related to the merger of ROE #27 into ROE #33.  Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Jodi Scott
Currently: Honorable Jodi Scott

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

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

**The Regional Office of Education #33 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #33 (ROE) is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The ROE'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).

During review of the financial information prepared by the ROE, auditors noted the following:

- 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 are not sufficient controls over the preparation of GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, during the review of the ROE's accounting records, auditors noted the ROE's financial information required several adjusting entries to present the financial statements in accordance with generally accepted accounting principles.
- In addition, the ROE did not have adequate controls to record and report its net accrued pension liability/asset, deferred outflows and inflows of resources, and pension expense in accordance with GAAP. Proposed adjusting entries were approved and accepted by the ROE's management.
- In June 2015, prior to the July 1, 2015 consolidation date of ROE #27 into ROE #33, the Regional Superintendent of ROE #27, who was also Regional Superintendent elect of the consolidated ROE #33, opened a checking account in the name of ROE #33 and transferred \$791,000 from ROE #27's checking account to the new account. The cash never left the custody of the Regional Superintendent of ROE #27; however, it was recorded as a reduction of cash and a payment to other governments in ROE #27's June 30, 2015 financial statements. This resulted in an understatement of cash and net position and an

overstatement of payments to other governments of \$791,000 in the June 30, 2015 financial statements of ROE #27 and subsequently a \$791,000 understatement in beginning balances of cash and net position for the consolidated financial statements of ROE #33 at July 1, 2015.

According to the ROE management, current funding levels are not adequate to hire and/or train accounting personnel in order to comply with these requirements. The complex requirements of GASB Statements No. 68 and No. 71 will require additional time and training before the ROE can fully implement the requirements on its own. (Finding 16-001, pages 11a-11c)

**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. Such procedures should be performed by a properly trained individual(s) 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 of this size. The Regional Office management is confident with the accounting staff and the preparation of financial information. When fiscally possible, additional training or hiring of additional staff will be pursued.*

**Prior Year ROE Response:** *The ROE understands the nature of this finding and realizes this circumstance is not unusual in an organization of this size. The ROE management is confident with the accounting staff and the preparation of financial information. When fiscally possible, additional training or hiring of additional staff will be pursued.*

## **INADEQUATE INTERNAL CONTROL PROCEDURES**

**The Regional Office of Education #33 did not have adequate internal control procedures.**

The Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system over accounting transactions to prevent errors and fraud.

Auditors noted the following weaknesses in the Regional Office's internal control system for which there were no mitigating controls:

- Several restricted Education Funds are carrying fund balances for excess grant funding from previous fiscal years.

- Independent reviews of bank reconciliations, journal entries, and payroll ACH deposit reports were not documented.
- No documented evidence of independent review of cash receipts to deposit slips which are then compared to the general ledger.
- Off-site backup not maintained at a secure location.
- Main bank account has a \$1,261 variance on the June 30, 2016 bank reconciliation.
- Regional Safe School and Title II- Teacher Quality- Leadership filed first quarter expenditure reports nine days late.
- No documented review of the expenditure reports before they are submitted.
- Individuals with access to the accounting system also have signature stamps.
- There were \$6,041 of fees relating to tuition paid before successful completion of the courses. The policy for continuing education and tuition reimbursement was not clearly outlined in the Regional Office's policy manual.
- Multiple instances of employment contracts not being signed by both employee and Regional Superintendent. There were also two instances of gross check amounts not matching contract rates and timesheets.

The auditors recommended the ROE establish and maintain proper internal controls to eliminate the weaknesses specified in the finding. (Finding 16-002, pages 11d-11f)

**ROE Response:** *The ROE agrees with the auditor's recommendation. In addition, the ROE has already corrected many of the internal control issues noted and continues to work on improving the internal controls over the financial processes.*

### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #33's financial statements as of June 30, 2016 are fairly presented in all material respects.

This financial audit was conducted by the firm of Kemper CPA Group LLP.

**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**

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FRANK J. MAUTINO  
Auditor General

FJM:JRB