



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #47**  
**LEE AND OGLE COUNTIES**

FINANCIAL AUDIT (In Accordance with the Single  
 Audit Act and OMB Circular A-133)  
 For the Year Ended: June 30, 2015

Release Date: July 21, 2016

| FINDINGS THIS AUDIT: 2 | AGING SCHEDULE OF REPEATED FINDINGS |               |              |                |            |            |            |
|------------------------|-------------------------------------|---------------|--------------|----------------|------------|------------|------------|
|                        | <u>New</u>                          | <u>Repeat</u> | <u>Total</u> | Repeated Since | Category 1 | Category 2 | Category 3 |
| Category 1:            | 1                                   | 1             | 2            | 2009           | 15-1       |            |            |
| Category 2:            | 0                                   | 0             | 0            |                |            |            |            |
| Category 3:            | 0                                   | 0             | 0            |                |            |            |            |
| <b>TOTAL</b>           | <b>1</b>                            | <b>1</b>      | <b>2</b>     |                |            |            |            |
| FINDINGS LAST AUDIT: 3 |                                     |               |              |                |            |            |            |

**SYNOPSIS**

- (15-1) The Regional Office of Education #47 did not have sufficient internal controls over the financial reporting process.
- (15-2) The Regional Office of Education #47 did not have sufficient internal control procedures over disbursements, receipts, and reporting.

**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 #47**  
**LEE AND OGLE COUNTIES**

**FINANCIAL AUDIT**  
**(In Accordance with the Single Audit Act and OMB Circular A-133)**  
**For The Year Ended June 30, 2015**

|   | <b>FY 2015</b>           | <b>FY 2014</b> |
|---|--------------------------|----------------|
| <b>TOTAL REVENUES</b>   | \$3,817,673              | \$3,868,468    |
| Local Sources   | \$325,069                | \$363,922      |
| % of Total Revenues   | 8.51%                    | 9.41%          |
| State Sources   | \$1,576,152              | \$1,452,404    |
| % of Total Revenues   | 41.29%                   | 37.54%         |
| Federal Sources   | \$1,916,452              | \$2,052,142    |
| % of Total Revenues   | 50.20%                   | 53.05%         |
| <b>TOTAL EXPENDITURES</b>   | \$3,789,726              | \$3,851,290    |
| Salaries and Benefits   | \$1,943,429              | \$1,767,514    |
| % of Total Expenditures   | 51.28%                   | 45.89%         |
| Purchased Services  | \$406,344                | \$463,215      |
| % of Total Expenditures   | 10.72%                   | 12.03%         |
| All Other Expenditures  | \$1,439,953              | \$1,620,561    |
| % of Total Expenditures   | 38.00%                   | 42.08%         |
| <b>TOTAL NET POSITION</b>   | (\$512,402) <sup>1</sup> | \$832,582      |
| <b>INVESTMENT IN CAPITAL ASSETS</b>   | \$51,846 <sup>2</sup>    | \$29,348       |
| <p><sup>1</sup>The beginning FY 2015 net position was restated by (\$1,354,794) due to a prior period adjustment for new reporting requirements for pensions and (\$18,137) resulting from a correction of an error in the Institute Fund.</p> <p><sup>2</sup>Capital asset amounts include debt associated with a capital lease.</p> <p>Percentages may not add due to rounding.</p> |                          |                |

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|---|
| <b>REGIONAL SUPERINTENDENT</b>  |
| During Audit Period: Honorable Paul McMahon<br>Currently: Honorable Robert Sondgeroth |

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

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

**The Regional Office of Education #47 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #47 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office 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 Regional Office of Education #47 did not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on the cash basis of accounting during the fiscal year and maintains a list of year-end accrual adjustments for financial statement purposes. While the Regional Office 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.

During review of the Regional Office of Education #47's financial information prepared by the Regional Office of Education #47, it was noted that the Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unearned revenue. Audit adjustments were proposed in order to ensure the financial statement balances were in accordance with GAAP. Audit adjustments were also proposed to properly allocate fund balance and cash, to reclassify various revenue or expenditure transactions to the appropriate financial statement classification, and to correct interfund transactions.

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

According to the Regional Office of Education #47 management, fiscal staff did not effectively detect all of the adjustments needed in order to present financial statements in accordance with GAAP.

Additionally, the complex requirements of GASB Statements No. 68 and 71 were new for fiscal year 2015 and will require additional time and training before the ROE can fully implement the requirements on its own. (Finding 2015-001, pages 13a-13c) **This finding was first reported in 2009.**

The auditors recommended that as part of internal control over the preparation of financial statements, the Regional Office of Education #47 should implement comprehensive preparation procedures to ensure that the financial statements 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 Regional Office of Education #47's activities and operations.

The Regional Office of Education #47 responded that as part of its internal control over the preparation of its financial statements, the Regional Office will continue to provide a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate on a monthly basis. The Regional Superintendent will continue to review all financial statements (including accruals) striving to be as accurate as possible, hoping to eliminate this finding in the future. (For previous Regional Office response, see Digest Footnote #1 located at the end of the digest.)

#### **CONTROLS OVER DISBURSEMENTS, RECEIPTS, AND REPORTING**

**The Regional Office of Education #47 did not have sufficient internal control procedures over disbursements, receipts, and reporting.**

The Regional Office of Education #47 is required to maintain a system of internal controls over disbursements, receipts, and reporting to prevent errors and fraud.

Internal controls over disbursements, receipts, and reporting were not implemented properly. The Regional Office of Education #47 maintains a binder containing the following items: reconciliation reports, fund balance summary reports, bi-monthly payroll register reports, monthly accounts payable listings of all checks written, and Illinois Funds activity reports. It is the Regional Office of Education #47's policy for the Regional Superintendent and the Assistant Regional Superintendent to sign cover sheets maintained in front of each month's reports within the binder to evidence their review and approval of these items. The binder had not been reviewed and the cover sheets had not been signed by the Assistant Regional Superintendent for the period January – May 2015. The Regional Superintendent had not reviewed the binder or signed the cover sheets for the period July 2014 – May 2015.

Internal controls over disbursements, receipts, and reporting are not properly implemented. (Finding 2015-002, page 13d)

The auditors recommended the Regional Superintendent and Assistant Regional Superintendent should follow their established policy and perform a timely review and provide written approval of all reports within this binder on a monthly basis.

The Regional Office of Education #47 responded that this issue has already been corrected. The Regional Superintendent of Schools and Assistant Regional Superintendent of Schools review all financial reports on a monthly basis and sign off as evidence of review. Also, the bookkeeper maintains a monthly file.

### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #47's financial statements as of June 30, 2015 are fairly presented in all material respects.

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

FJM:JRB

AUDITORS ASSIGNED: Kemper CPA Group LLP were our special assistant auditors.

### **DIGEST FOOTNOTE**

#### **#1: Controls Over Financial Statement Preparation - Previous Regional Office Response**

In its prior response in 2014, the Regional Office of Education #47 responded that as part of its internal control over the preparation of its financial statements, the Regional Office will continue to provide a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate on a monthly basis. The Regional Superintendent will continue to review all financial statements (including accruals) striving to be as accurate as possible, hoping to eliminate this finding in the future.

