



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #56**  
**WILL COUNTY**

**FINANCIAL AUDIT (In Accordance with the Uniform Guidance)**      **Release Date: November 29, 2017**

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

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>0</b>	<u>Repeat</u> <b>2</b>	<u>Total</u> <b>2</b>	<b>2010</b>	<b>16-1</b>		
<b>Category 2:</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2015</b>	<b>16-2</b>		
<b>Category 3:</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>TOTAL</b>	<b>0</b>	<b>2</b>	<b>2</b>				
<b>FINDINGS LAST AUDIT: 4</b>							

**SYNOPSIS**

- **(16-1)** The Regional Office of Education #56 did not have sufficient internal controls over the financial reporting process.
- **(16-2)** The Regional Office of Education #56 did not have sufficient internal controls over the financial accounting system.

**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 #56**  
**WILL COUNTY**

**FINANCIAL AUDIT**  
**(In Accordance with the Uniform Guidance)**  
**For The Year Ended June 30, 2016**

	<b>FY 2016</b>	<b>FY 2015</b>
<b>TOTAL REVENUES</b>	\$5,376,274	\$4,938,800
Local Sources	\$1,690,326	\$1,597,950
% of Total Revenues	31.44%	32.36%
State Sources	\$2,385,349	\$2,239,672
% of Total Revenues	44.37%	45.35%
Federal Sources	\$1,300,599	\$1,101,178
% of Total Revenues	24.19%	22.30%
<b>TOTAL EXPENDITURES</b>	\$5,290,936	\$4,925,193
Salaries and Benefits	\$3,241,214	\$3,009,197
% of Total Expenditures	61.26%	61.10%
Purchased Services	\$1,324,881	\$1,243,476
% of Total Expenditures	25.04%	25.25%
All Other Expenditures	\$724,841	\$672,520
% of Total Expenditures	13.70%	13.65%
<b>TOTAL NET POSITION</b>	\$5,448,421	\$5,363,083
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$0	\$0
Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Shawn T. Walsh Currently: Honorable Shawn T. Walsh

**FINDINGS, CONCLUSIONS, AND**  
**RECOMMENDATIONS**

**The Regional Office of Education #56 did not have sufficient internal controls over the financial reporting process.**

**CONTROLS OVER FINANCIAL STATEMENT PREPARATION**

The Will County Regional Office of Education #56 (ROE) did not have sufficient internal controls over the financial reporting process. The ROE maintains its accounting records on the cash basis of accounting during the fiscal year and posts year-end accrual entries for financial statement purposes. 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.

The 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 Regional Office's financial information required material adjusting entries in order to present its financial statements in accordance with GAAP. In addition, the Regional Office did not have adequate controls to record and report the Regional Office's net accrued pension liabilities/assets, deferred outflows of resources, deferred inflows of resources, and pension expenses in accordance with GAAP. Proposed adjusting entries were approved and accepted by Regional Office management.

According to Regional Office officials, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements. Also, the complex requirements of GASB Statements No. 68 and No. 71 were new in the prior fiscal year and will require additional time and training before the ROE can fully implement the requirements on its own. (Finding 2016-001, pages 13-14) **This finding was first reported in 2010.**

The auditors recommended that as part of its internal control over the preparation of financial statements, the ROE 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(s) possessing a thorough understanding of applicable GAAP, GASB pronouncements, and knowledge of the ROE's activities and operations.

**ROE Response:** *The Regional Office of Education #56 accepts the degree of risk associated with this condition because the added expense of seeking additional accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region.*

*The Regional Office of Education #56 will continue to work with the other Regional Offices of Education to determine the most effective method of ensuring employees possess the knowledge required to compile the necessary GAAP based financial statements.*

**Prior Year ROE Response:** *The Regional Office of Education #56 accepts the degree of risk associated with this condition because the additional expense to seek outside accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region.*

*The Regional Office of Education #56 will continue to work with the other Regional Offices of Education to determine the most effective method of ensuring that its employees possess the knowledge required to compile the necessary GAAP based financial statements.*

## **CONTROLS OVER FINANCIAL ACCOUNTING SYSTEM**

**The Regional Office of Education #56 did not have sufficient internal controls over the financial accounting system.**

The Will County Regional Office of Education #56's (ROE) current accounting system for the Professional Development Alliance (PDA) did not allow the ROE to maintain accounting information in accordance with the *Regional Office of Education Accounting Manual* (Manual). The auditors were given various reports from the PDA's accounting system, as well as spreadsheets maintained manually to utilize in determining the individual program and fund trial balance information. In many instances, the information between the system and spreadsheets did not agree. The ROE was also unable to provide a report of an individual account's detailed transactions for the fiscal period. The detail had to be reconstructed by PDA from segments of information from multiple reports.

The ROE is required by the Illinois State Board of Education to maintain its accounting system in accordance with the Manual. The Manual requires the Regional Office to maintain an accounting system on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts. These funds are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

According to the PDA Bookkeeper, the accounting software is an older and outdated version that often produces corrupt reports that cannot be relied upon; therefore, the PDA has been tracking and reporting activity manually in spreadsheets. (Finding 2016-002, pages 15-16)

Auditors recommended the Regional Office should acquire fund accounting software sufficient for the PDA to account for its accounting activity in accordance with the *Regional Office of Education Accounting Manual*.

**ROE Response:** *The Regional Office of Education #56 acquired a fund accounting software sufficient for the PDA to account for their accounting activity in accordance with the Regional Office of Education Accounting Manual.*

### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #56's financial statements as of June 30, 2016 are fairly stated in all material respects.

This financial report was conducted by the firm of McGreal & Co.

**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