



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #8
CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES

FINANCIAL AUDIT
 For the Year Ended: June 30, 2019

Release Date: May 27, 2020

FINDINGS THIS AUDIT: 2				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	2010	19-1		
Category 1:	0	1	1	2018			19-2
Category 2:	0	0	0				
Category 3:	0	1	1				
TOTAL	0	2	2				
FINDINGS LAST AUDIT: 2							

SYNOPSIS

- **(19-1)** The Regional Office of Education #8 did not have sufficient internal controls over the financial reporting process.
- **(19-2)** The Regional Office of Education #8 did not provide completed financial statements in an auditable form by the August 31 deadline.

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 #8
CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2019

	FY 2019	FY 2018
TOTAL REVENUES	\$6,523,973	\$6,217,724
Local Sources	\$1,484,120	\$1,221,929
% of Total Revenues	22.75%	19.65%
State Sources	\$4,904,654	\$4,908,408
% of Total Revenues	75.18%	78.94%
Federal Sources	\$135,199	\$87,387
% of Total Revenues	2.07%	1.41%
TOTAL EXPENDITURES	\$6,583,297	\$6,695,677
Salaries and Benefits	\$3,984,103	\$3,305,925
% of Total Expenditures	60.52%	49.37%
Purchased Services	\$858,948	\$745,163
% of Total Expenditures	13.05%	11.13%
All Other Expenditures	\$1,740,246	\$2,644,589
% of Total Expenditures	26.43%	39.50%
TOTAL NET POSITION	(\$546,114)	(\$486,790)
INVESTMENT IN CAPITAL ASSETS	\$25,345	\$25,908
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT

During Audit Period: Honorable Aaron Mercier

Currently: Honorable Aaron Mercier

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**CONTROLS OVER FINANCIAL STATEMENT
PREPARATION**

The Regional Office of Education #8 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #8 (ROE) did not have sufficient internal controls over the financial reporting process. While the ROE maintained control over the processing of most accounting transactions, there were not sufficient controls over the preparation of the generally accepted accounting principles (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.

The Regional Office is required to maintain a system of controls over the preparation of financial statements in accordance with 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 ROE's financial information, it was noted the ROE did not have adequate controls to ensure financial statement balances were accurate. While the ROE did maintain records to indicate the balances of financial statement accounts, numerous material audit adjustments were proposed in order to ensure those balances were accurate.

The Regional Office's management indicated they did not effectively detect all of the material adjustments needed in order to present financial statements in accordance with GAAP. (Finding 2019-001, pages 11-13) **This finding was first reported in 2010.**

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 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 ROE has contracted with an outside company to prepare financial statements in accordance with GAAP. We will continue to work on our*

internal procedures and with our financial report preparer to improve our accuracy in reporting.

DELAY OF AUDIT

The Regional Office of Education #8 did not provide completed financial statements in an auditable form by the August 31 deadline.

The Regional Office of Education #8 (ROE) did not provide financial reports to auditors by August 31, 2019 for its fiscal year 2019 audit. The trial balance and draft financial report were provided to auditors in December 2019.

The ROE is subject to 105 ILCS 5/2-3.17a which requires the Auditor General's office to cause an audit to be made, as of June 30th of each year, of the financial statements of all accounts, funds, and other moneys in the care, custody or control of the regional superintendent of schools of each educational service region in the State and of each educational service center established in the School Code. The audit is to be conducted in accordance with Generally Accepted Governmental Auditing Standards (GAGAS).

In accordance with 105 ILCS 5/2-3.17a, the Auditor General has promulgated administrative rules and regulations to govern this process. Those rules, 74 Ill. Adm. Code 420.320 (c) (2), state that for audit purposes, each regional office of education and educational service center shall make available to the Auditor General or his designee all books and records deemed necessary to make and complete the required audits. The records shall be in auditable form by August 15 of the succeeding fiscal year. Financial reports are to be available no later than August 31 in order for the annual audit to be completed by an independent auditor selected by the Auditor General. Annual financial statements are to be prepared on an accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

In addition, prudent business practices and transparency require timely preparation and completion of financial statements.

The ROE contracted with a known financial firm to prepare the financial reports as needed to be delivered to the auditor. Unfortunately, this firm was not able to complete the work on the timeline of the contract in order to meet the deadline. (Finding 19-002, pages 14-15)

The auditors recommended the ROE should implement procedures to ensure compliance with 105 ILCS 5/2-3.17a and 74 Ill. Adm. Code 420.320 (c) (2). Annual financial statements should be compiled on an accrual basis of accounting in accordance with GAAP. These financial statements need to be presented to the Auditor General's independent auditors for audit by the August 31 deadline.

ROE Response: *As the ROE does not have the capacity to compile the financial statements in accordance with GAAP, we have contracted with a firm that we believe will be able to prepare the reports by the deadline.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #8's financial statements as of June 30, 2019 are fairly presented in all material respects.

This financial audit was conducted by the firm of Winkel, Parker & Foster, CPA PC.

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:BAO