



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #16
DEKALB COUNTY

FINANCIAL AUDIT
 For the Year Ended: June 30, 2019

Release Date: November 17, 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>				
Category 1:	0	0	0				
Category 2:	1	0	1				
Category 3:	<u>1</u>	<u>0</u>	<u>1</u>				
TOTAL	2	0	2				
FINDINGS LAST AUDIT: 2							

SYNOPSIS

- **(19-1)** The Regional Office of Education #16 did not have sufficient internal controls over financial statement preparation.
- **(19-2)** The Regional Office of Education #16 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 #16
DEKALB COUNTY

FINANCIAL AUDIT
For The Year Ended June 30, 2019

	FY 2019	FY 2018
TOTAL REVENUES	\$1,573,017	\$1,340,846
Local Sources	\$327,603	\$222,436
% of Total Revenues	20.83%	16.59%
State Sources	\$1,183,813	\$996,822
% of Total Revenues	75.26%	74.34%
Federal Sources	\$61,601	\$121,588
% of Total Revenues	3.92%	9.07%
TOTAL EXPENDITURES	\$1,415,555	\$1,324,603
Salaries and Benefits	\$677,527	\$657,909
% of Total Expenditures	47.86%	49.67%
Purchased Services	\$98,661	\$326,581
% of Total Expenditures	6.97%	24.66%
All Other Expenditures	\$639,367	\$340,113
% of Total Expenditures	45.17%	25.68%
TOTAL NET POSITION	\$320,559 ¹	\$390,584
INVESTMENT IN CAPITAL ASSETS	\$0	\$0
¹ The FY19 beginning net position was restated by (\$227,487) due to a prior period adjustment for reporting requirements for pensions and other postemployment benefits. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Amanda Christensen Currently: Honorable Amanda Christensen

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**CONTROLS OVER FINANCIAL STATEMENT
PREPARATION**

The Regional Office of Education #16 did not have sufficient internal controls over financial statement preparation.

The Regional Office of Education #16 (ROE) did not have sufficient internal controls over the preparation of generally accepted accounting principles (GAAP) basis 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 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 basis financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

The following issues were noted in the ROE's draft financial statements submitted to the auditors, which were subsequently corrected:

- The ROE's restated beginning net position amount was not accurate due to omission of the IMRF liabilities and related deferred items.
- The ROE's Statement of Net Position included an error in the calculation of deferred outflows related to pensions and omitted deferred outflows related to other post-employment benefits (OPEB), OPEB liabilities and deferred inflows related to OPEB.
- The ROE's Required Supplementary Information Schedule of Employer Contributions – Teachers' Health Insurance Security Fund (THIS) omitted fiscal year 2018 amounts.
- The ROE's Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position omitted OPEB deferred outflows and inflows and the net OPEB liability.
- The ROE's Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities omitted the change in deferred items – OPEB and additions to net OPEB liability.
- The ROE's Teacher's Retirement System of the State of Illinois and THIS footnote disclosures included the wrong amounts for numerous required disclosures.

Regional Office management indicated the ROE's financial statements for FY19 were prepared by a CPA firm. (Finding 19-001, pages 10 – 11)

The auditors recommended that as part of internal control over the preparation of financial statements, the ROE should implement comprehensive preparation procedures to ensure 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: *Communication with the CPA firm for FY20 will improve in order to clarify requirements.*

DELAY OF AUDIT

The Regional Office of Education #16 did not provide completed financial statements in an auditable form by the August 31 deadline.

The Regional Office of Education #16 (ROE) did not provide completed financial statements in an auditable form by the August 31 deadline. An outside accounting firm was hired by the ROE to assist in the preparation of financial statements and related disclosures. Financial statements were not submitted to the Special Assistant Auditors until March 6, 2020.

The Regional Office 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 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 Government Auditing Standards.

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.

Regional Office management indicated there was a delay in a CPA firm accepting the project and a delay in hiring a CPA firm to prepare the required financial statements for FY19. (Finding 19-002, pages 12 – 13)

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: *The ROE will be contacting a CPA firm for preparation of their financial statements. When their books are closed, the hired firm will be sent their FY20 financial statements. The ROE will be asking the CPA firm to have the required financial reports to them prior to the deadline date for review.*

AUDITORS’ OPINION

Our auditors state the Regional Office of Education #16’s financial statements as of June 30, 2019 are fairly presented in all material respects.

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