



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #20**  
**EDWARDS, GALLATIN, HAMILTON, HARDIN, POPE, SALINE, WABASH,**  
**WAYNE, AND WHITE COUNTIES**

FINANCIAL AUDIT  
 For the Year Ended: June 30, 2018

Release Date: May 16, 2019

FINDINGS THIS AUDIT: 2				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since 2011	Category 1	Category 2	Category 3
<b>Category 1:</b>	<b><u>New</u></b> 0	<b><u>Repeat</u></b> 1	<b><u>Total</u></b> 1	2011	18-1		
<b>Category 2:</b>	0	0	0				
<b>Category 3:</b>	<u>1</u>	<u>0</u>	<u>1</u>				
<b>TOTAL</b>	1	1	2				
<b>FINDINGS LAST AUDIT: 1</b>							

**SYNOPSIS**

- (18-1) The Regional Office of Education #20 did not have sufficient internal controls over the financial reporting process.
- (18-2) The Regional Office of Education #20 did not provide completed financial statements or financial records 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.

{Revenues and expenditures are summarized on the reverse page.}

**REGIONAL OFFICE OF EDUCATION #20**  
**EDWARDS, GALLATIN, HAMILTON, HARDIN, POPE, SALINE, WABASH, WAYNE, AND**  
**WHITE COUNTIES**

**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2018**

	<b>FY 2018</b>	<b>FY 2017</b>
<b>TOTAL REVENUES</b>	\$2,780,213	\$2,713,975
Local Sources	\$1,068,676	\$1,052,204
% of Total Revenues	38.44%	38.77%
State Sources	\$1,326,517	\$1,266,667
% of Total Revenues	47.71%	46.67%
Federal Sources	\$385,020	\$395,104
% of Total Revenues	13.85%	14.56%
<b>TOTAL EXPENDITURES</b>	\$2,648,518	\$2,607,258
Salaries and Benefits	\$2,094,883	\$2,097,159
% of Total Expenditures	79.10%	80.44%
Purchased Services	\$464,258	\$405,155
% of Total Expenditures	17.53%	15.54%
All Other Expenditures	\$89,377	\$104,944
% of Total Expenditures	3.37%	4.03%
<b>TOTAL NET POSITION</b>	\$(9,314) <sup>1</sup>	\$164,917
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$24,089	\$25,523
<sup>1</sup> The FY 2018 beginning net position was restated by (\$305,926) due to a prior period adjustment for new reporting requirements for other postemployment benefits.  Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Lawrence Fillingim Currently: Honorable Beth Rister

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

**CONTROLS OVER FINANCIAL STATEMENT  
PREPARATION**

**The Regional Office of Education #20 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #20 (ROE) did not have sufficient internal controls over the financial reporting process. While the ROE maintained controls over the processing of most accounting transactions, there were not sufficient controls over the preparation of 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 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 GAAP. The Regional Office'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 Regional Office's financial information prepared by the ROE, auditors noted the ROE's financial information required material adjusting entries to accounts receivable, accounts payable, accrued payroll, interfund loans, and unavailable revenue in order to present its financial statements in accordance with GAAP. In addition, ROE management did not have adequate controls to record and report net accrued pension and OPEB liabilities, deferred outflows of resources, deferred inflows of resources, and pension and OPEB expenses in accordance with GAAP. Proposed adjusting entries were approved and accepted by ROE management.

According to Regional Office management, they did not timely hire and/or train their accounting personnel in order to comply with these requirements for fiscal year 2018. (Finding 2018-001, pages 10a-10b) **This finding was first reported in 2011.**

The auditors recommended that as part of 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 possessing a thorough understanding of applicable GAAP, GASB pronouncements, and knowledge of the ROE's activities and operations.

**ROE Response:** *The Regional Office agrees. We have created a new position, Comptroller, in order to better prepare for FY 19 financial statement work, and beyond. The ROE will also be contracting with a retired CPA to assist in the preparation procedures to ensure complete and accurate work for the FY 19 audit. Moving forward, the ROE will have sufficient controls over preparation of GAAP based financial statements. This will help employees prevent or detect financial statement misstatements and disclosure omissions in a timely manner.*

**Prior Year ROE Response:** *The Regional Office accepts the auditor's recommendation.*

#### **DELAY OF AUDIT**

**The Regional Office of Education #20 did not provide completed financial statements or financial records in an auditable form by the August 31 deadline.**

The Regional Office of Education #20 (ROE) did not provide completed financial statements or financial records, in the form of a general ledger trial balance, in an auditable form by the August 31, 2018 deadline. Financial records provided were not prepared on an accrual basis in accordance with generally accepted accounting principles (GAAP).

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 30<sup>th</sup> 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 GAAP.

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

According to Regional Office management, they did not timely hire and/or train their accounting personnel in order to

comply with these requirements for fiscal year 2018. (Finding 2018-002, pages 10c-10d)

The auditors recommended that 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 agrees with the finding and will present financial statements in accordance with GAAP for FY19. ROE #20 is presently implementing a new position to meet compliance, as well as contracting with a retired CPA.*

### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #20's financial statements as of June 30, 2018 are fairly presented in all material respects.

This financial audit was conducted by the firm of Doehring, Winders & Co., LLP.

**SIGNED ORIGINAL ON FILE**

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KELLY MITTELSTAEDT  
Audit Manager

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