



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #33
KNOX COUNTY

FINANCIAL AUDIT
For the Year Ended: June 30, 2015

Release Date: May 12, 2016

| FINDINGS THIS AUDIT: 1 | | | | AGING SCHEDULE OF REPEATED FINDINGS | | | |
|------------------------|------------|---------------|--------------|-------------------------------------|------------|------------|------------|
| | | | | Repeated Since | Category 1 | Category 2 | Category 3 |
| | <u>New</u> | <u>Repeat</u> | <u>Total</u> | 2007 | 15-1 | | |
| Category 1: | 0 | 1 | 1 | | | | |
| Category 2: | 0 | 0 | 0 | | | | |
| Category 3: | 0 | 0 | 0 | | | | |
| TOTAL | 0 | 1 | 1 | | | | |
| FINDINGS LAST AUDIT: 1 | | | | | | | |

SYNOPSIS

- **(15-1)** The Regional Office of Education #33 did not have sufficient internal controls over the financial reporting process.

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 #33
KNOX COUNTY

FINANCIAL AUDIT
For The Year Ended June 30, 2015

| | FY 2015 | FY 2014 |
|--|-----------------------|----------------|
| TOTAL REVENUES | \$695,725 | \$728,497 |
| Local Sources | \$62,060 | \$76,997 |
| % of Total Revenues | 8.92% | 10.57% |
| State Sources | \$580,731 | \$609,713 |
| % of Total Revenues | 83.47% | 83.69% |
| Federal Sources | \$52,934 | \$41,787 |
| % of Total Revenues | 7.61% | 5.74% |
| TOTAL EXPENDITURES | \$704,472 | \$708,699 |
| Salaries and Benefits | \$588,644 | \$614,900 |
| % of Total Expenditures | 83.56% | 86.76% |
| Purchased Services | \$99,044 | \$54,842 |
| % of Total Expenditures | 14.06% | 7.74% |
| All Other Expenditures | \$16,784 | \$38,957 |
| % of Total Expenditures | 2.38% | 5.50% |
| TOTAL NET POSITION | \$80,053 ¹ | \$100,527 |
| INVESTMENT IN CAPITAL ASSETS | \$3,111 | \$1,134 |
| <p>¹The FY 2015 beginning net position was restated by (\$11,727) due to a prior period adjustment for new reporting requirements for pensions.</p> <p>Percentages may not add due to rounding.</p> | | |

| REGIONAL SUPERINTENDENT |
|--|
| During Audit Period: Honorable Bonnie L. Harris Currently: Honorable Jodi Scott |

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**CONTROLS OVER FINANCIAL STATEMENT
PREPARATION**

The Regional Office of Education #33 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #33 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (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).

The Regional Office of Education #33 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. 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 #33's financial information prepared by the Regional Office of Education #33, auditors noted there were not adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unearned revenue. While the Regional Office did maintain records to indicate the balances of accounts receivable, accounts payable, and unearned revenue, not all entries were provided to reconcile the Regional Office of Education #33's grant activity, such as posting grant receivables.

Through inquiries and discussions with the Regional Office's accounting personnel and Regional Superintendent, auditors noted the Regional Office did not have adequate controls to record and report the Regional Office of Education #33's net accrued pension liabilities/assets, deferred outflows of resources, deferred inflows of resources, and pension expenses in accordance with GAAP. (Finding 2015-001, pages 11-13)
This finding was first reported in 2007.

According to the Regional Office of Education #33 management, they did not have adequate funding to hire and/or train their accounting personnel in order to maintain a system of internal control over the preparation of financial statements in accordance with GAAP. Also, 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 Regional Office can fully implement the requirements on its own.

The auditors recommended that as part of internal control over the preparation of financial statements, the Regional Office of Education #33 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 the applicable GAAP, GASB pronouncements, and knowledge of the Regional Office of Education #33's activities and operations.

The Regional Office of Education #33 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office management is confident with the accounting staff and the preparation of financial information. When fiscally possible, additional training or hiring of additional staff will be pursued. (For previous Regional Office response, see Digest Footnote #1 shown at the end of the digest.)

AUDITORS' OPINION

Our auditors state the Regional Office of Education #33's financial statements as of June 30, 2015 are fairly presented in all material respects.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:JRB

AUDITORS ASSIGNED: Sulaski and Webb, CPAs 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 #33 responded that it is not able to hire and train any accounting personnel to perform all of the procedures necessary to ensure that the financial statements are complete and accurate due to very limited funds. The Regional Office stated that it will continue to try, as funds allow, to employ someone qualified who can prepare the financial statements in accordance with generally accepted accounting principles.