



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #46
BROWN/CASS/MORGAN/SCOTT COUNTIES

FINANCIAL AUDIT
 For the Year Ended: June 30, 2015

Release Date: July 14, 2016

FINDINGS THIS AUDIT: 2	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	0	1	No Repeat Findings			
Category 2:	1	0	1				
Category 3:	0	0	0				
TOTAL	2	0	2				
FINDINGS LAST AUDIT: 1							

SYNOPSIS

- (15-1) The Regional Office of Education #46 did not have sufficient internal controls over the financial reporting process.
- (15-1) The Regional Office of Education #46 did not obtain sufficient collateral for its deposits.

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 #46
BROWN/CASS/MORGAN/SCOTT COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2015

	FY 2015	FY 2014
TOTAL REVENUES	\$1,223,281	\$1,225,116
Local Sources	\$287,074	\$206,718
% of Total Revenues	23.47%	16.87%
State Sources	\$871,411	\$965,792
% of Total Revenues	71.24%	78.83%
Federal Sources	\$64,796	\$52,606
% of Total Revenues	5.30%	4.29%
TOTAL EXPENDITURES	\$1,094,665	\$1,095,531
Salaries and Benefits	\$933,673	\$948,418
% of Total Expenditures	85.29%	86.57%
Purchased Services	\$104,000	\$100,747
% of Total Expenditures	9.50%	9.20%
All Other Expenditures	\$56,992	\$46,366
% of Total Expenditures	5.21%	4.23%
TOTAL NET POSITION	\$157,361 ¹	\$192,063
INVESTMENT IN CAPITAL ASSETS	\$2,962	\$6,792
¹ The FY 2015 beginning net position was restated by (\$163,318) due to a prior period adjustment for new reporting requirements for pensions. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Jeff Stephens *
* Effective July 1, 2015, ROE #46 was consolidated into ROE #1.

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**CONTROLS OVER FINANCIAL STATEMENT
PREPARATION**

The Regional Office of Education #46 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #46 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 of Education #46'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 #46 did not have sufficient internal controls over the financial reporting process. While the Regional Office maintains controls over the processing of most accounting transactions, there were not sufficient controls over the preparation of the 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.

During review of the Regional Office's financial information prepared by the Regional Office, it was noted that the Regional Office did not have adequate controls to ensure financial statement balances were accurate. While the Regional Office did maintain records to indicate the balances of financial statement accounts, material audit adjustments were proposed in order to ensure those balances were accurate.

Management did not effectively detect all of the material adjustments, including those required under GASB Statements No. 34, No. 68, and No. 71, needed in order to present financial statements in accordance with GAAP. (Finding 2015-001, pages 10-11)

The auditors recommended that since the Regional Office of Education #46 has been dissolved and its counties merged into the Adams/Pike Counties Regional Office of Education #1, Regional Office of Education #1 should implement comprehensive preparation procedures 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 generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office's activities and operations.

The Regional Office of Education #46 responded that due to the budgetary constraints from the State, funding was not available for the Regional Office to have a full time CPA on staff. Outside assistance was sought to assist with this procedure.

UNCOLLATERALIZED DEPOSITS

The Regional Office of Education #46 did not obtain sufficient collateral for its deposits.

The Regional Office of Education #46 is required to follow the Illinois Public Funds Investment Act (30 ILCS 235/1 et. seq.) (Act). The Act gives the authorization for deposits in excess of the federally insured limit to be covered by pledged collateral held by the financial institutions' trust departments in the Regional Office of Education #46's name. In addition, prudent business practice requires that all cash and investments held by the financial institutions for the Regional Office be adequately covered by depository insurance or collateral.

The Regional Office did not obtain sufficient collateral for its deposits at one of the financial institutions utilized by the Regional Office. As of June 30, 2015, the Regional Office of Education #46's deposits exceeded the \$250,000 insured by the Federal Deposit Insurance Corporation (FDIC) by \$90,023.

Collateralization of deposits in excess of FDIC insurance was overlooked by the Regional Office due to the balance of the account being significantly under the FDIC insurance limit on a regular basis in the past. (Finding 2015-002, page 12)

Auditors recommended since the ROE has been dissolved and its counties merged into the Regional Office of Education #1, Regional Office of Education #1 should obtain pledged collateral for all of its deposits exceeding FDIC insurance coverage from the financial institutions utilized by the Regional Office.

The Regional Office responded that since ROE #46 is no longer in existence, the newly formed ROE #1 will have the adequate and necessary procedures in place as they move forward.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #46 financial statements as of June 30, 2015 are fairly presented in all material respects.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:KJM

AUDITORS ASSIGNED: Winkel, Parker & Foster,
CPA PC were our special assistant auditors.