



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #49**  
**ROCK ISLAND COUNTY**

FINANCIAL AUDIT (In Accordance with the Uniform Guidance) Release Date: October 2, 2018

For the Year Ended: June 30, 2017

| FINDINGS THIS AUDIT: 2        |                 |                    |                   | AGING SCHEDULE OF REPEATED FINDINGS |            |            |            |
|-------------------------------|-----------------|--------------------|-------------------|-------------------------------------|------------|------------|------------|
|                               |                 |                    |                   | Repeated Since                      | Category 1 | Category 2 | Category 3 |
| <b>Category 1:</b>            | <u>New</u><br>1 | <u>Repeat</u><br>1 | <u>Total</u><br>2 | 2007                                | 17-1       |            |            |
| <b>Category 2:</b>            | 0               | 0                  | 0                 |                                     |            |            |            |
| <b>Category 3:</b>            | 0               | 0                  | 0                 |                                     |            |            |            |
| <b>TOTAL</b>                  | 1               | 1                  | 2                 |                                     |            |            |            |
| <b>FINDINGS LAST AUDIT: 1</b> |                 |                    |                   |                                     |            |            |            |

**SYNOPSIS**

- (17-1) The Regional Office of Education #49 did not have sufficient internal controls over the financial reporting process.
- (17-2) The Regional Office of Education #49 did not have sufficient internal controls over the fund accounting system.

**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 #49**  
**ROCK ISLAND COUNTY**

**FINANCIAL AUDIT**  
**(In Accordance with the Uniform Guidance)**  
**For The Year Ended June 30, 2017**

|  | <b>FY 2017</b> | <b>FY 2016</b> |
|--|----------------|----------------|
| <b>TOTAL REVENUES</b>                    | \$4,193,254    | \$4,367,172    |
| Local Sources                            | \$415,242      | \$382,415      |
| % of Total Revenues                      | 9.90%          | 8.76%          |
| State Sources                            | \$3,041,582    | \$2,925,769    |
| % of Total Revenues                      | 72.54%         | 66.99%         |
| Federal Sources                          | \$736,430      | \$1,058,988    |
| % of Total Revenues                      | 17.56%         | 24.25%         |
| <b>TOTAL EXPENDITURES</b>                | \$3,987,369    | \$4,085,216    |
| Salaries and Benefits                    | \$1,830,109    | \$1,627,291    |
| % of Total Expenditures                  | 45.90%         | 39.83%         |
| Purchased Services                       | \$1,226,182    | \$1,343,389    |
| % of Total Expenditures                  | 30.75%         | 32.88%         |
| All Other Expenditures                   | \$931,078      | \$1,114,536    |
| % of Total Expenditures                  | 23.35%         | 27.28%         |
| <b>TOTAL NET POSITION</b>                | \$237,781      | \$31,896       |
| <b>INVESTMENT IN CAPITAL ASSETS</b>      | \$48,807       | \$53,752       |
| Percentages may not add due to rounding. |                |                |

| <b>REGIONAL SUPERINTENDENT</b>   |
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| During Audit Period: Honorable Tammy Muerhoff<br>Currently: Honorable Tammy Muerhoff |

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **CONTROLS OVER FINANCIAL STATEMENT PREPARATION**

**The Regional Office of Education #49 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #49 (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 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 ROE 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 Regional Office's financial information prepared by the ROE, 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, including those required under GASB Statements No. 34, No. 68, and No. 71, were proposed in order to ensure those balances were accurate.

According to Regional Office management, they 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 17-001, pages 13 – 15) **This finding was first reported in 2007.**

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 has four positions which have some form of direct review, contact, and oversight of its financial statements. These individuals have attended and will continue to attend training opportunities to enhance their knowledge of the applicable accounting principles and other areas necessary in order to obtain a sufficient set of internal controls over financial statement preparation. There will be continued oversight and direct review of the financial statements of the ROE. Opportunities to review and provide additional oversight will be pursued to ensure the utmost level of monitoring of all financial assets.*

**Prior Year ROE Response:** *The ROE has four positions which have some form of direct review, contact, and oversight of its financial statements. These individuals have attended and will continue to attend training opportunities to enhance their knowledge of the applicable accounting principles and other areas necessary in order to obtain a sufficient set of internal controls over financial statement preparation. There will be continued oversight and direct review of the financial statements of the ROE. Opportunities to review and provide additional oversight will be pursued to ensure the utmost level of monitoring of all financial assets.*

#### **CONTROLS OVER FUND ACCOUNTING SYSTEM**

**The Regional Office of Education #49 did not have sufficient internal controls over the fund accounting system.**

Due to the Regional Office of Education #49's (ROE) fund accounting system no longer being supported by the vendor, the ROE purchased a new fund accounting system during the fiscal year. The new fund accounting system imported data from the old system for July 2016 through May 2017 and directly recorded transactions from the remainder of May 2017 through June 2017. Prior to providing the June 30, 2017 trial balance to auditors, the ROE did not ensure all individual funds were self-balanced and opening fund balance amounts agreed to the prior period closing fund balance amounts. Other errors, including net fund change accounts being inaccurate and some activity not being included in the fund accounting system were noted.

The ROE is required by the Illinois State Board of Education to maintain its accounting system in accordance with the Regional Office of Education Accounting Manual (Manual). The Manual requires the ROE to maintain an accounting system on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

According to Regional Office management, the ROE's accounting system was no longer being supported by the vendor; therefore, the ROE purchased a new accounting system during the fiscal year. The ROE is still in the process of transitioning to the new software and is making adjustments with the assistance of the software vendors as deficiencies are noted. (Finding 17-002, pages 16 – 17)

The auditors recommended that the ROE should continue to have a member of management with suitable skills, knowledge, and experience review its trial balance reports at regular intervals throughout the year. The ROE should also ensure individual funds are self-balanced and opening fund balance amounts agree to the prior period closing fund balance amounts.

**ROE Response:** *The ROE's management team will review trial balance reports throughout the fiscal year to ensure individual funds are self-balanced and opening fund balance amounts agree to prior period closing fund balance amounts. The ROE has obtained services from an auditing firm to conduct financial statement preparation for the upcoming 2017-2018 fiscal year audit process.*

#### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #49's financial statements as of June 30, 2017 are fairly presented in all material respects.

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

**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