



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #51
MENARD AND SANGAMON COUNTIES

**FINANCIAL AUDIT (In Accordance with the Uniform Release Date: March 19, 2020
 Guidance)**

For the Year Ended: June 30, 2017

FINDINGS THIS AUDIT: 3				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
Category 1:	<u>New</u> 0	<u>Repeat</u> 0	<u>Total</u> 0	2007		17-1	
Category 2:	0	2	2	2016			17-2
Category 3:	0	1	1	2014		17-3	
TOTAL	0	3	3				
FINDINGS LAST AUDIT: 6							

SYNOPSIS

- (17-1) The Regional Office of Education #51 did not have sufficient internal controls over the financial reporting process.
- (17-2) The Regional Office of Education #51 did not provide financial statements in an auditable form and in accordance with GAAP until June 2019.
- (17-3) The Regional Office of Education #51 did not have adequate internal controls over compliance requirements.

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 #51
MENARD AND SANGAMON COUNTIES

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

	FY 2017	FY 2016
TOTAL REVENUES	\$6,296,104	\$6,333,942
Local Sources	\$785,137	\$1,242,382
% of Total Revenues	12.47%	19.61%
State Sources	\$4,441,023	\$3,977,860
% of Total Revenues	70.54%	62.80%
Federal Sources	\$1,069,944	\$1,113,700
% of Total Revenues	16.99%	17.58%
TOTAL EXPENDITURES	\$8,239,594	\$6,937,095
Salaries and Benefits	\$7,053,368	\$5,536,772
% of Total Expenditures	85.60%	79.81%
Purchased Services	\$775,867	\$1,022,601
% of Total Expenditures	9.42%	14.74%
All Other Expenditures	\$410,359	\$377,722
% of Total Expenditures	4.98%	5.44%
TOTAL NET POSITION	\$(2,102,740) ¹	\$(129,063)
INVESTMENT IN CAPITAL ASSETS	\$8,485	\$13,772
<p>¹ The FY 2017 beginning net position was restated by \$(30,187) due to an omission of a payroll tax liability in the prior year.</p> <p>Percentages may not add due to rounding.</p>		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Jeff Vose Currently: Honorable Jeff Vose

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**CONTROLS OVER FINANCIAL STATEMENT
PREPARATION**

The Regional Office of Education #51 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #51 (ROE) did not have sufficient internal controls over the financial reporting process. While the ROE maintained controls over the processing of 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 accurate GAAP-based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

During the audit of the ROE's financial statements, it was noted the ROE's controls over the reporting of accounts receivable and accounts payable were deficient. Specifically, the following deficiencies were noted:

- Draft financial statements prepared by the ROE omitted recognition of a \$30,187 payroll tax liability which existed as of June 30, 2016, but was not reported in the financial statements for the year then ended. This omission necessitated an adjustment to opening equity balances in these financial statements.
- Draft financial statements prepared by the ROE did not report all accounts receivable balances for amounts due from other governmental units. During the audit, it was noted the ROE was unaware of receivable balances totaling \$17,995 that had not been collected as of July 2019. The financial statements have been adjusted to recognize these receivable balances.

Regional Office management indicated the omission of items from the financial statements as described above were due to the ROE not having proper procedures in place to track all receivable and payable balances. (Finding 17-001, pages 15a – 15b) **This finding was first reported in 2007.**

The auditors recommended that as part of internal control over the preparation of financial statements, the ROE should implement procedures to ensure all accounts receivable and payable are reflected in the financial records in the correct accounting period.

ROE Response: *The Regional Office accepts the finding and has implemented monitoring controls over accounts receivable and payroll liabilities.*

DELAY OF AUDIT

The Regional Office of Education #51 did not provide financial statements in an auditable form and in accordance with GAAP until June 2019.

The Regional Office of Education #51 (ROE) did not have its fiscal year 2017 financial records in auditable form and did not make its financial report available to the auditors until June 2019.

The ROE 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 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.

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 the delays in completing the fiscal year 2017 financial records and reports were due to delays in completing the fiscal year 2016 audit which was issued late on March 26, 2019, due to problems with the ROE's computerized accounting system which have now been corrected. (Finding 17-002, pages 15c – 15d)

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 has implemented procedures to achieve compliance with 105 ILCS 5/2-3.17a and 74 Ill. Adm. Code 420.320 (c) (2). Annual financial statements are now prepared on an accrual basis of accounting in accordance with GAAP. Financial statements for fiscal years 2018 and after will be presented to the independent auditors with as little delay as possible.*

INADEQUATE INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS

The Regional Office of Education #51 did not have adequate internal controls over compliance requirements.

The Regional Office of Education #51 (ROE) did not have adequate internal controls over compliance requirements. The following instances of noncompliance were noted during testing:

- The ROE did not have a formal written policy in place to require employees who have only a portion of their payroll costs allocated to the Title I Grants to Local Educational Agencies program complete time and effort documentation to support the distribution. We noted two such employees with total salary, benefit, and pension costs charged to the program in the amount of \$4,599. The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) (2 CFR 200.430) requires nonfederal entities to maintain support for the distribution of payroll costs among multiple activities.
- The ROE did not perform risk assessments of subrecipients as required by the Uniform Guidance (2 CFR 200.331).
- The ROE did not obtain certifications from subrecipients required by the Uniform Guidance (2 CFR 200.415(a)).

As a recipient of U.S. Department of Education grant funds passed through by the Illinois State Board of Education, the ROE must incorporate certain procedures into its operations to ensure compliance with the Uniform Guidance as well as requirements contained in the grant agreements.

Regional Office management indicated they did not become aware of these specific documentation requirements for payroll costs and subrecipient monitoring until after fiscal year 2017 when findings were issued for the previous audit. (Finding 17-003, pages 15e – 15f). **This finding was first reported in 2014.**

The auditors recommended the ROE should implement procedures to ensure all costs associated with personnel time and effort are properly documented in accordance with the Uniform Guidance. Further, the ROE should perform risk assessments on and obtain certifications from subrecipients as required by the Uniform Guidance.

ROE's Response: *The ROE accepts the auditor's recommendations and will implement procedures to ensure costs associated with personnel time and effort are properly documented, and risk assessments are conducted and certifications are received from subrecipients as required by the Uniform Guidance.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #51's financial statements as of June 30, 2017 are fairly stated in all material respects except for a disclaimer of opinion on Governmental Activities in the Statement of Activities.

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

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:JRB