



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #56**  
**WILL COUNTY**

**FINANCIAL AUDIT**  
**For the Year Ended: June 30, 2019**

**Release Date: February 27, 2020**

FINDINGS THIS AUDIT: 2				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	2018		19-1	
<b>Category 1:</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>Category 2:</b>	<b>0</b>	<b>1</b>	<b>1</b>				
<b>Category 3:</b>	<u>1</u>	<u>0</u>	<u>1</u>				
<b>TOTAL</b>	<b>1</b>	<b>1</b>	<b>2</b>				
FINDINGS LAST AUDIT: 2							

**SYNOPSIS**

- **(19-1)** The Regional Office of Education #56 did not record salary obligations properly at year end.
- **(19-2)** The Regional Office of Education #56 did not provide completed financial statements 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 #56**  
**WILL COUNTY**

**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2019**

	<b>FY 2019</b>	<b>FY 2018</b>
<b>TOTAL REVENUES</b>	\$5,265,432	\$6,122,870
Local Sources	\$1,961,365	\$1,969,385
% of Total Revenues	37.25%	32.16%
State Sources	\$2,597,207	\$2,710,073
% of Total Revenues	49.33%	44.26%
Federal Sources	\$706,860	\$1,443,412
% of Total Revenues	13.42%	23.57%
<b>TOTAL EXPENDITURES</b>	\$5,314,396	\$5,802,579
Salaries and Benefits	\$3,304,255	\$3,321,947
% of Total Expenditures	62.18%	57.25%
Purchased Services	\$1,427,984	\$1,450,035
% of Total Expenditures	26.87%	24.99%
All Other Expenditures	\$582,157	\$1,030,597
% of Total Expenditures	10.95%	17.76%
<b>TOTAL NET POSITION</b>	\$4,727,019	\$4,775,983
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$13,436	\$0
Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Dr. Shawn T. Walsh Currently: Dr. Shawn T. Walsh

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**RECORDING OBLIGATIONS**

**The Regional Office of Education #56 did not record salary obligations properly as a liability.**

The Will County Regional Office of Education #56 (ROE) prepared and released funds for its July 15, 2019 and July 31, 2019 pay periods prior to June 30, 2019. The funds were transferred from the ROE's financial institution to the recipient's bank prior to June 30, 2019, where they were held in a holding account, and then disbursed to the employees on the appropriate pay dates.

Generally Accepted Accounting Principles (GAAP) require obligations at year end to be recorded in the proper period. Additionally, the Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system over the disbursement process to prevent errors and fraud.

ROE officials indicated they were not aware they had reported and released the payroll funds early. (Finding 19-001, page 11)

The auditors recommended that ROE management should establish and implement internal controls over the payroll process to ensure the release of actual payroll disbursements corresponds with the appropriate pay period.

**ROE Response:** *The ROE did not receive the FY18 preliminary audit findings until June 25, 2019, and the draft report was not issued until August 8, 2019. The July 2019 payroll had already been released because the ROE staff was unaware of this finding at that time. The contracted auditing firm provided guidance on rectifying this audit finding and the August payroll was released appropriately. The Will County ROE will report obligated salaries at year end as a liability and record the actual disbursements at the end of the appropriate pay period. The ROE staff will continue to work with the contracted auditing firm to ensure journal entries are properly completed.*

**DELAY OF AUDIT**

**The Regional Office of Education #56 did not provide completed financial statements in an auditable form by the August 31 deadline.**

The Regional Office of Education #56 (ROE) did not provide completed financial statements in an auditable form by the August 31 deadline. An outside accounting firm was hired by the ROE to assist in the preparation of financial statements and related disclosures. Financial statements were not submitted to the Special Assistant Auditors until October 4, 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 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 that due to the payroll finding from FY18, the staff was late in finalizing the accounts for FY19. (Finding 19-002, pages 12 – 13)

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:** *ROE staff will finalize the fiscal year accounts as soon as possible to ensure that the contracted auditing firm will have financial statements completed and submitted to the Special Assistant Auditors prior to August 31.*

**AUDITORS' OPINION**

Our auditors state the Regional Office of Education #56's financial statements as of June 30, 2019 are fairly stated in all material respects.

This financial audit was conducted by the firm of McGreal & Company, PC.

**SIGNED ORIGINAL ON FILE**

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JOE BUTCHER  
Division Director

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

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