



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #30
ALEXANDER, JACKSON, PERRY, PULASKI, AND UNION COUNTIES

FINANCIAL AUDIT
 For the Year Ended: June 30, 2018

Release Date: July 14, 2021

| 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> | 2015 | | | |
| Category 1: | 1 | 1 | 2 | | 18-1 | | |
| Category 2: | 0 | 0 | 0 | | | | |
| Category 3: | 0 | 0 | 0 | | | | |
| TOTAL | 1 | 1 | 2 | | | | |
| FINDINGS LAST AUDIT: 5 | | | | | | | |

SYNOPSIS

- (18-1) The Regional Office of Education #30 did not have sufficient internal controls over the financial reporting process.
- (18-2) The Regional Office of Education #30 did not properly recognize and disclose postemployment benefits other than pensions as required by Governmental Accounting Standards Board Statement No. 75.

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 #30
ALEXANDER, JACKSON, PERRY, PULASKI, AND UNION COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2018

| | FY 2018 | FY 2017 |
|--|--------------------------|----------------|
| TOTAL REVENUES | \$2,352,112 | \$2,562,029 |
| Local Sources | \$486,988 | \$374,631 |
| % of Total Revenues | 20.70% | 14.62% |
| State Sources | \$1,163,904 | \$1,122,933 |
| % of Total Revenues | 49.48% | 43.83% |
| Federal Sources | \$701,220 | \$1,064,465 |
| % of Total Revenues | 29.81% | 41.55% |
| TOTAL EXPENDITURES | \$2,190,791 | \$2,547,026 |
| Salaries and Benefits | \$1,437,089 | \$1,475,233 |
| % of Total Expenditures | 65.60% | 57.92% |
| Purchased Services | \$201,346 | \$261,526 |
| % of Total Expenditures | 9.19% | 10.27% |
| All Other Expenditures | \$552,356 | \$810,267 |
| % of Total Expenditures | 25.21% | 31.81% |
| TOTAL NET POSITION | (\$389,912) ¹ | (\$191,072) |
| INVESTMENT IN CAPITAL ASSETS | \$67,764 | \$53,238 |
| ¹ The FY 2018 beginning net position was restated by (\$360,161) due to a prior period adjustment for new reporting requirements for other postemployment benefits. Percentages may not add due to rounding. | | |

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| REGIONAL SUPERINTENDENT |
| During Audit Period: Honorable Cheryl Graff |
| Currently: Honorable Cheryl Graff |

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #30 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #30 (ROE) did not have sufficient internal controls over the financial reporting process. The ROE maintains its accounting records on the cash basis of accounting during the fiscal year and posts or maintains a list of year-end accrual adjustments for financial statement purposes. While the ROE maintained controls over the processing of most 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 Regional Office 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 financial information prepared by the ROE, the following was noted:

- The ROE did not have adequate controls over the maintenance of complete records of accounts receivable/due from other governments and unavailable revenue. While the ROE did maintain records to indicate the balances of accounts receivable/due from other governments and unavailable revenue, not all entries were provided or recorded correctly to reconcile the ROE's grant and general ledger activity.
- The ROE did not have adequate controls over the proper recognition of on-behalf revenues and expenses. Information to calculate and record these amounts had not been obtained by the ROE.
- The ROE did not have adequate controls to record and report the ROE's net accrued pension and OPEB liabilities/assets, deferred outflows of resources, deferred inflows of resources, and pension and OPEB expenses in accordance with GAAP.

Regional Office management indicated they did not have adequate funding to hire and/or train their accounting

personnel in order to comply with these requirements and present the financial statements in accordance with GAAP. In addition, the complex requirements of GASB Statements No. 68, 71, and 75 will require additional time and training before the ROE can fully implement the requirements on its own. (Finding 2018-001, pages 11a-11b)

The auditors recommended that as part of internal control over the preparation of financial statements, the ROE should implement comprehensive preparation procedures to ensure the financial statements are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of the ROE's activities and operations.

ROE Response: *I agree with the finding and corrective actions are being implemented, as noted in the Corrective Action Plan for Current Year Audit Findings section of this report.*

DEPARTURE FROM U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The Regional Office of Education #30 did not properly recognize and disclose postemployment benefits other than pensions as required by Governmental Accounting Standards Board Statement No. 75.

The Regional Office of Education #30 (ROE) did not properly recognize and disclose postemployment benefits other than pensions (OPEB) as required by Governmental Accounting Standards Board (GASB) Statement No. 75 in its financial statements or notes.

The ROE participates in a defined benefit plan, the Jackson County Health Insurance Plan, which provides postemployment benefits other than pensions to its employees in exchange for employee services rendered. This plan is administered by the Jackson County government which obtains the actuarial valuation of the postemployment benefits other than pensions. The ROE is included in this actuarial valuation. However, due to the fact that the County has a different fiscal year end (11/30) than the ROE (6/30), the most recent valuation obtained for the period ended November 30, 2017, was prepared in accordance with GASB Statement No. 45 rather than GASB Statement No. 75.

The Illinois Administrative Code (74 Ill. Adm. 420.320 (c) (1) and (2)) requires that each Regional Office of Education maintain the accounting records necessary to prepare financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

GASB Statement No. 75 – *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), requires that employers recognize and disclose OPEB expense. Net OPEB obligations, if any, should be reported as liabilities (or assets if overfunded) in the financial

statements. For financial reporting purposes, an actuarial valuation, prepared in accordance with GASB Statement No. 75, is required to measure and disclose the annual OPEB cost. In certain circumstances, an alternative measurement method can be applied instead of obtaining an actuarial valuation.

In the absence of an actuarial valuation prepared in accordance with GASB Statement No. 75, or the application of the alternative measurement method, the auditors could not reasonably determine the amount by which this departure would affect the assets, liabilities, deferred outflows of resources, deferred inflows of resources, and/or expenditures of the ROE as of June 30, 2018.

Regional Office management indicated the Jackson County government is not required to implement GASB No. 75 until its fiscal year ended November 30, 2018. Since the ROE relies on the actuarial report prepared for the Jackson County government, the ROE will not have an actuarial report prepared in accordance with GASB Statement No. 75 until its fiscal year ended June 30, 2019. (Finding 2018-002, pages 11c-11d)

The auditors recommended the ROE should convey the requirements of GASB Statement No. 75 to the Jackson County government and work to obtain the information needed to comply.

ROE Response: *I agree with the finding and corrective actions are being implemented, as noted in the Corrective Action Plan for Current Year Audit Findings section of this report.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #30's financial statements as of June 30, 2018 are fairly stated in all material respects, except for the effects of not recognizing or disclosing postemployment benefits other than pensions for the Jackson County Health Insurance Plan in the Statement of Net Position and Statement of Activities.

This financial audit was conducted by the firm of Kemper CPA Group 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:JMM