



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #20
EDWARDS, GALLATIN, HAMILTON, HARDIN, POPE, SALINE, WABASH,
WAYNE AND WHITE COUNTIES

FINANCIAL AUDIT
 For the Year Ended: June 30, 2021

Release Date: March 3, 2022

FINDINGS THIS AUDIT: 2	AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	
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: 0				

SYNOPSIS

- (21-1) The Regional Office of Education #20 did not have sufficient internal controls over the depreciation schedule.
- (21-2) The Regional Office of Education #20 did not have sufficient internal controls over the financial reporting process.

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 #20
EDWARDS, GALLATIN, HAMILTON, HARDIN, POPE, SALINE, WABASH, WAYNE AND
WHITE COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2021

	FY 2021	FY 2020
TOTAL REVENUES	\$3,135,097	\$2,870,423
Local Sources	\$1,128,068	\$1,094,315
% of Total Revenues	35.98%	38.12%
State Sources	\$1,497,544	\$1,380,601
% of Total Revenues	47.77%	48.10%
Federal Sources	\$509,485	\$395,507
% of Total Revenues	16.25%	13.78%
TOTAL EXPENDITURES	\$2,611,173	\$2,865,909
Salaries and Benefits	\$1,910,468	\$2,247,612
% of Total Expenditures	73.17%	78.43%
Purchased Services	\$494,881	\$517,909
% of Total Expenditures	18.95%	18.07%
All Other Expenditures	\$205,824	\$100,388
% of Total Expenditures	7.88%	3.50%
TOTAL NET POSITION	\$435,338	\$(88,586)
INVESTMENT IN CAPITAL ASSETS	\$136,999	\$38,740
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Dr. Beth Rister Currently: Dr. Beth Rister

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

DEPRECIATION SCHEDULE ERRORS

The Regional Office of Education #20 did not have sufficient internal controls over the depreciation schedule.

The Regional Office of Education #20 (ROE) did not have sufficient internal controls over the depreciation schedule. During the testing of capital assets, auditors noted several errors on the depreciation schedules used for the reporting of capital assets and related depreciation expense for the year ended June 30, 2021.

The Regional Office of Education (ROE) Accounting Manual notes that detailed records on capital assets should be carefully maintained for accounting purposes and for proper disclosure in financial reports. As such, due care should be taken to ensure beginning balances on depreciation schedules are accurate by agreeing them to the prior period's ending balances, and to ensure proper calculations of depreciation expense.

Auditors noted the following:

- A computer purchased in fiscal year 2020 was not depreciated during fiscal year 2020 in error and was caught up during fiscal year 2021. As a result, governmental activities depreciation expense was overstated by \$255 for the year ended June 30, 2021.
- The totals for original cost and accumulated depreciation on the Regional Safe Schools depreciation schedule were understated by \$5,188 due to formula errors on the spreadsheet.
- On the Safe Schools State Aid depreciation schedule, the beginning balance of accumulated depreciation for two assets was overstated by \$252 in total. On the same depreciation schedule, the depreciation expense for one asset was incorrectly calculated, and governmental activities depreciation expense was overstated by \$154.
- On the Truants Alternative General State Aid depreciation schedule, the beginning balance of accumulated depreciation for seven assets was understated by \$444 in total. On the same depreciation schedule, the depreciation expense for two assets was incorrectly calculated, and governmental activities depreciation expense was overstated by \$128.
- On the Business-Type Activities depreciation schedule, the beginning balance of accumulated depreciation for three assets was understated by \$2,542 in total. On the same depreciation schedule, the depreciation expense for ten assets was incorrectly

calculated, and Business-Type Activities depreciation expense was understated by \$628.

Regional Office management indicated the errors on the depreciation schedules occurred due to oversight during the review of the depreciation schedules. (Finding 2021-001, pages 10a – 10b)

The auditors recommended the Regional Office conduct a thorough review of all beginning balances on their depreciation schedules to ensure they trace to the prior year's ending balances. In addition, the ROE should verify all calculations of current year depreciation expense and correct any formula errors on the spreadsheet used.

ROE Response: *The ROE agrees with the recommendation.*

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #20 did not have sufficient internal controls over the financial reporting process.

While the Regional Office of Education #20 (ROE) does have sufficient internal controls over most aspects of the financial reporting process, auditors noted deficiencies during their testing of the ROE's draft financial statements provided to auditors for the audit.

Effective June 25, 2021, Public Act 102-0025 allowed a Regional Office of Education or Educational Service Center to utilize a cash basis, modified cash basis, or generally accepted accounting principles (GAAP) basis of accounting to prepare the financial statements for audit. The ROE has chosen to utilize the GAAP basis of accounting for financial statement reporting. The ROE is required to maintain a system of controls over the preparation of financial statements. 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 disclosure as required by the Governmental Accounting Standards Board (GASB).

Auditors noted the following:

- Eleven fund accounts reported an incorrect cash balance that did not agree to the ROE's accounting system. The errors ranged from \$3 to \$5,637 and resulted in a net understatement of cash by \$1,991.
- \$24,221 of amounts due from other governments were not recorded.
- \$41,927 of payments to other governments were misclassified and reported as purchased services.
- No changes were made from the prior year presentation for the implementation of GASB Statement No. 84, *Fiduciary Activities*.

Regional Office management indicated the cash balances were misstated due to adjustments being recorded that should not have been recorded at all or should have been recorded to other accounts. ROE management indicated the understatement of amounts due from other governments was caused by oversight during the review process. ROE management also indicated the improper implementation of GASB Statement No. 84 was due to a misunderstanding of the changes required by the new standard. (Finding 2021-002, pages 10c – 10d)

The auditors recommended that Regional Office management should perform a more detailed review of the draft financial statements to ensure balances are proper and in agreement with the ROE’s accounting system. The ROE should consider additional training of personnel responsible for the preparation of the draft financial statements to ensure new accounting standards are properly implemented. Additionally, ROE management should consider Public Act 102-0025 to determine if changing to the cash or modified cash basis would be allowable or beneficial to the ROE and users of the ROE financial statements.

ROE Response: *The ROE agrees with the recommendation.*

AUDITORS’ OPINION

Our auditors state the Regional Office of Education #20’s financial statements as of June 30, 2021 are fairly presented in all material respects.

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