



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #35
LASALLE, MARSHALL AND PUTNAM COUNTIES

FINANCIAL AUDIT
For the Year Ended: June 30, 2021

Release Date: December 15, 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>	2020		20-1	
Category 1:	0	0	0				
Category 2:	1	1	2				
Category 3:	0	0	0				
TOTAL	1	1	2				
FINDINGS LAST AUDIT: 1							

SYNOPSIS

- **(20-1)** The Regional Office of Education #35 failed to fully insure and collateralize cash balances.
- **(20-2)** The Regional Office of Education #35 lacked adequate controls over the review of internal controls over external service providers.

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 #35
LASALLE, MARSHALL AND PUTNAM COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2021

	FY 2021	FY 2020
TOTAL REVENUES	\$2,326,690	\$2,560,788
Local Sources	\$809,103	\$825,363
% of Total Revenues	34.77%	32.23%
State Sources	\$1,270,314	\$1,615,700
% of Total Revenues	54.60%	63.09%
Federal Sources	\$247,273	\$119,725
% of Total Revenues	10.63%	4.68%
TOTAL EXPENDITURES	\$2,200,734	\$2,459,939
Salaries and Benefits	\$1,825,060	\$2,163,479
% of Total Expenditures	82.93%	87.95%
Purchased Services	\$173,493	\$184,913
% of Total Expenditures	7.88%	7.52%
All Other Expenditures	\$202,181	\$111,547
% of Total Expenditures	9.19%	4.53%
TOTAL NET POSITION	\$833,921	\$707,965
INVESTMENT IN CAPITAL ASSETS	\$8,610	\$5,377
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Christopher B. Dvorak Currently: Honorable Christopher B. Dvorak

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

FAILURE TO FULLY INSURE AND COLLATERALIZE CASH BALANCES

The Regional Office of Education #35 failed to fully insure and collateralize cash balances.

As of June 30, 2021, the Regional Office of Education #35 (ROE) had three cash and investment accounts with bank balances totaling \$296,189 at one financial institution. The Federal Deposit Insurance Corporation (FDIC) covers up to a maximum of \$250,000. The ROE did not have depository insurance or collateral for the remaining \$46,189.

The Public Funds Deposit Act (30 ILCS 225/1) gives the ROE the authorization to request financial institutions to pledge collateral for deposits in excess of the federally insured limit. In addition, prudent business practice requires that all cash and investments held by financial institutions for the ROE be adequately covered by depository insurance or collateral.

Regional Office officials indicated that it is unknown why the collateral agreement that had been in place for several years was no longer active. ROE officials indicated the financial institution had staff turnover and the ROE cashed in one of its certificates of deposit during the fiscal year, either of which may have inadvertently caused the collateral agreement to no longer be effective. In addition, the ROE failed to monitor the sufficiency of the pledged securities. (Finding 21-001, pages 11 – 12)

The auditors recommended the ROE should monitor the bank balances on all accounts and work with the financial institution to either provide adequate collateral or move to an insured cash sweep account to ensure adequate coverage.

ROE Response: *The ROE plans to keep in contact with the financial institution regarding the amount of collateralization and pledged securities. The financial institution was contacted and a new irrevocable collateral agreement was signed and put into place.*

LACK OF ADEQUATE CONTROLS OVER THE REVIEW OF INTERNAL CONTROLS OVER EXTERNAL SERVICE PROVIDERS

The Regional Office of Education #33 did not have adequate controls over the review of internal controls over external service providers.

As part of the audit process, the auditors requested the Regional Office of Education #35 (ROE) to provide a population of the service providers utilized. The ROE was able to identify service providers that provided various hosting and backup services for the ROE; however, the ROE failed to develop a formal process for reviewing its external service providers' internal controls to ensure the accurate processing and security of information.

During testing, the auditors noted the ROE had not:

- Developed a formal process for identifying service providers and for either obtaining the Service Organization Controls (SOC) reports from the service providers and related subservice organization or performing alternative procedures to determine the impact of such services on its internal control environment prior to signing an agreement with the service provider.
- Documented its review of each of the SOC reports, or performed alternative procedures, to evaluate any issues relevant to the ROE's internal controls.
- Monitored and documented the operation of the Complementary User Entity Controls (CUECs) relevant to the ROE's operations.

The ROE is responsible for the design, implementation, and maintenance of internal controls related to information systems and operations to ensure resources and data are adequately protected from unauthorized or accidental disclosure, modifications, or destruction. This responsibility is not limited due to the process being outsourced.

Generally accepted information technology guidance endorses the review and assessment of internal controls related to information systems and operations to assure the accurate processing and security of information.

Regional Office officials indicated they understand the importance of a formal process to monitor service providers and did not realize the current process did not address all the issues noted. (Finding 21-002, pages 13 – 14)

The auditors recommended the ROE identify all third-party service providers and determine and document if a review of controls is required. If required, the ROE should:

- Obtain SOC reports or perform independent reviews of internal controls associated with outsourced systems including service provided by subservice organizations, prior to signing agreements with the providers and annually thereafter.
- Document its review of the SOC reports or perform alternative procedures to evaluate all significant issues to ascertain if a corrective action plan exists and when it will be implemented, any impacts to the ROE, and any compensating controls.
- Monitor and document the operations of the CUECs relevant to the ROE's operations.
- Review contracts with service providers to ensure applicable requirements over the independent review of internal controls are included.

ROE Response: *The ROE plans to incorporate procedures to make sure to obtain the following information for any third-party service providers as recommended by the auditors:*

- *SOC reports or perform independent reviews of internal controls associated with outsourced systems including services provided by subservice organizations, prior to signing agreements with the providers and annually thereafter.*
- *Document its review of the SOC reports or perform alternative procedures to evaluate all significant issues to ascertain if a corrective action plan exists and when it will be implemented, any impacts to the ROE, and any compensating controls.*
- *Monitor and document the operations of the CUECs relevant to the ROE's operations.*
- *Review contracts with service providers to ensure applicable requirements over the independent review of internal controls are included.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #35's financial statements as of June 30, 2021 are fairly presented in all material respects.

This financial audit was conducted by the firm of MCK CPAs & Advisors.

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

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