



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #13**  
**CLINTON/MARION/WASHINGTON COUNTIES**

FINANCIAL AUDIT (In accordance with the Single  
 Audit Act and OMB Circular A-133)  
 For the Year Ended: June 30, 2015

Release Date: March 31, 2016

FINDINGS THIS AUDIT: 1				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	2014	15-1		
Category 1:	0	1	1				
Category 2:	0	0	1				
Category 3:	0	0	0				
TOTAL	0	1	1				
FINDINGS LAST AUDIT: 1							

**SYNOPSIS**

- (15-1) The Regional Office of Education #13 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.

{ Revenues and expenditures are summarized on the reverse page. }



## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **CONTROLS OVER FINANCIAL STATEMENT PREPARATION**

**The Regional Office of Education #13 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #13 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The Regional Office'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).

The Regional Office of Education #13 did not have sufficient internal controls over the financial reporting process in order to record and present the pension information in accordance with these standards. The Regional Office maintains its accounting records on the cash basis of accounting during the fiscal year and posts year-end accrual and other applicable entries for financial statement purposes. While the Regional Office maintains controls over the processing of most accounting transactions and prepares its financial statements, there were not sufficient controls over the preparation of 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.

Through inquiries and discussions with the ROE's accounting personnel and Regional Superintendent, auditors noted that the ROE did not have adequate controls to record and report the ROE's net accrued pension liabilities/assets, deferred outflows of resources, deferred inflows of resources, and pension expenses in accordance with GAAP.

According to the ROE's management, the complex requirements of GASB Statements No. 68 and No.71 were new for fiscal year 2015 and will require additional time and training before the ROE can fully implement the requirements on its own. (Finding 2015-001, pages 13-14)

The auditors recommended that as part of internal control over the preparation of financial statements, the Regional Office of Education #13 should implement comprehensive preparation procedures to ensure that the financial statements are complete and accurate. These procedures should be performed by a properly trained individual(s) possessing a thorough understanding of the applicable GAAP, GASB

pronouncements, and knowledge of the Regional Office of Education's activities and operations.

The Regional Office of Education #13 responded that it understands the nature of this finding and realizes that this circumstance is not unusual for an organization of this size. The Regional Office noted that it accepts the degree of risk associated with this condition because the added cost of employing a full-time accountant to prepare and review financial statements would take away from the funds available to provide educational services to the schools in the region. The Regional Office also noted that it will continue to receive training for GAAP accounting procedures. (For previous Regional Office response, see Digest Footnote #1 shown at the end of the digest.)

### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #13's financial statements as of June 30, 2015 are fairly presented in all material respects.

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

FJM:JRB

AUDITORS ASSIGNED: West & Company, LLC were our special assistant auditors.

### **DIGEST FOOTNOTE**

#### **#1: Controls Over Financial Statement Preparation - Previous Regional Office Response**

In its prior response in 2014, the Regional Office of Education #13 responded that it understands that nature of this finding and realizes that this circumstance is not unusual in an entity of this size. The Regional Office noted that it accepts the degree of risk associated with this condition because the added expense of seeking additional accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region.