



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #32
IROQUOIS AND KANKAKEE COUNTIES

**FINANCIAL AUDIT (In Accordance with the Uniform
 Guidance)**
For the Year Ended: June 30, 2017

Release Date: July 11, 2018

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since 2010	Category 1	Category 2	Category 3
Category 1:	0	1	1	2010	17-1		
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	0	1	1				
FINDINGS LAST AUDIT: 3							

SYNOPSIS

- (17-1) The Regional Office of Education #32 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.}

REGIONAL OFFICE OF EDUCATION #32
IROQUOIS/KANKAKEE COUNTIES

FINANCIAL AUDIT
(In Accordance with the Uniform Guidance)
For The Year Ended June 30, 2017

	FY 2017	FY 2016
TOTAL REVENUES	\$4,304,759	\$4,378,311
Local Sources	\$699,903	\$784,948
% of Total Revenues	16.26%	17.93%
State Sources	\$2,141,405	\$1,941,108
% of Total Revenues	49.75%	44.33%
Federal Sources	\$1,463,451	\$1,652,255
% of Total Revenues	34.00%	37.74%
TOTAL EXPENDITURES	\$3,586,321	\$3,734,146
Salaries and Benefits	\$2,578,331	\$2,358,798
% of Total Expenditures	71.89%	63.17%
Purchased Services	\$598,759	\$824,479
% of Total Expenditures	16.70%	22.08%
All Other Expenditures	\$409,231	\$550,869
% of Total Expenditures	11.41%	14.75%
TOTAL NET POSITION	\$3,691,448 ¹	\$3,010,885
INVESTMENT IN CAPITAL ASSETS	\$55,639	\$0
¹ The FY17 beginning net position was restated by (\$37,875) due to an improper revenue recognition. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Gregg Murphy
Currently: Honorable Gregg Murphy

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #32 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #32 (ROE) did not have sufficient internal controls over the financial reporting process. The ROE maintained its accounting records on the cash basis of accounting during the fiscal year and posted year-end accrual entries 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 and the Schedule of Expenditures of Federal Awards 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 ROE 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).

Auditors, in their review of the ROE's accounting records, noted the following:

- The ROE did not have adequate controls over the maintenance of complete records of prepaid rent, due from other governments, unearned revenue, and unavailable revenue. While the ROE did maintain records to indicate the balances of due from other governments and unearned revenue, not all entries were provide to properly report the ROE's balances and activity.
- Fund balances for various funds were not properly recorded at year-end.
- The ROE did not have adequate controls to record and report the ROE's net pension liabilities/assets, deferred outflows of resources, deferred inflows of resources, and pension expenses in accordance with GAAP.
- All of the activity for one of the internal service funds was netted to an accounts receivable account rather than recorded to the appropriate revenue and expense accounts. All of the activity for three of the agency funds were netted into one liability account in each fund rather than recorded to the appropriate revenue and expense accounts in each fund.

- Numerous other adjustments were required to present financial statements in accordance with GAAP.

According to Regional Office officials, the complex requirements of GASB statements will require additional time and training before the Regional Office can fully implement the requirements on its own. (Finding 17-001, pages 13 – 14)
This finding was first reported in 2010.

The auditors recommended that as part of internal control over the preparation of financial statements, the ROE 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 possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of the ROE's activities and operations.

ROE Response: *In an attempt to correct this finding, the Regional Office will send its fiscal staff to various trainings to improve knowledge and skills related to GAAP, as well as current and anticipated GASB reporting requirements.*

Prior Year ROE Response: *In an attempt to correct this finding, the Regional Office will send its fiscal staff to various trainings to better understand accrual accounting and reporting under GAAP.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #32's financial statements as of June 30, 2017 are fairly presented in all material respects.

This financial audit was conducted by the firm of West & Company, LLC.

SIGNED ORIGINAL ON FILE

KELLY MITTELSTAEDT
Audit Manager

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