



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN, JOHNSON, MASSAC AND WILLIAMSON COUNTIES

FINANCIAL AUDIT
 For the Year Ended: June 30, 2019

Release Date: July 30, 2020

FINDINGS THIS AUDIT: 2	AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since 2017
Category 1:	0	1	1	19-2
Category 2:	0	0	0	
Category 3:	1	0	1	
TOTAL	1	1	2	
FINDINGS LAST AUDIT: 2				

SYNOPSIS

- **(19-1)** The Regional Office of Education #21 did not provide completed financial statements in an auditable form by the August 31 deadline.
- **(19-2)** The Regional Office of Education #21 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 #21
FRANKLIN, JOHNSON, MASSAC AND WILLIAMSON COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2019

	FY 2019	FY 2018
TOTAL REVENUES	\$3,481,286	\$3,639,680
Local Sources	\$1,019,738	\$732,430
% of Total Revenues	29.29%	20.12%
State Sources	\$1,738,745	\$2,094,993
% of Total Revenues	49.95%	57.56%
Federal Sources	\$722,803	\$812,257
% of Total Revenues	20.76%	22.32%
TOTAL EXPENDITURES	\$2,650,136	\$3,501,624
Salaries and Benefits	\$1,575,160	\$2,362,175
% of Total Expenditures	59.44%	67.46%
Purchased Services	\$344,156	\$317,837
% of Total Expenditures	12.99%	9.08%
All Other Expenditures	\$730,820	\$821,612
% of Total Expenditures	27.58%	23.46%
TOTAL NET POSITION	(\$2,451,204)	(\$3,282,354)
INVESTMENT IN CAPITAL ASSETS	\$35,654 ¹	\$49,644
¹ Capital asset amounts include debt associated with a capital lease.		
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Lorie LeQuatte Currently: Honorable Lorie LeQuatte

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

DELAY OF AUDIT

The Regional Office of Education #21 did not provide completed financial statements in an auditable form by the August 31 deadline.

The Regional Office of Education #21 (ROE) did not provide completed financial statements or financial records in the form of a general ledger trial balance in an auditable form by the August 31, 2019 deadline. An outside accounting firm was hired by the ROE to assist in the preparation of the government-wide financial statements and the Governmental Accounting Standards Board (GASB) Statement No. 68 and GASB Statement No. 75 calculations and disclosures, but not until after the submission deadline of August 31, 2019. Financial statements were not submitted to Special Assistant Auditors until December 5, 2019.

The Regional Office is subject to 105 ILCS 5/2-3.17a which requires the Auditor General's office to cause an audit to be made, as of June 30th of each year, of the financial statements of all accounts, funds and other moneys in the care, custody or control of the regional superintendent of schools of each educational service region in the State and of each educational service center established in the School Code. The audit is to be conducted in accordance with Generally Accepted Governmental Auditing Standards.

In accordance with 105 ILCS 5/2-3.17a, the Auditor General has promulgated administrative rules and regulations to govern this process. Those rules, 74 Ill. Adm. Code 420.320 (c) (2), state that for audit purposes, each regional office of education and educational service center shall make available to the Auditor General or his designee all books and records deemed necessary to make and complete the required audits. The records shall be in auditable form by August 15 of the succeeding fiscal year. Financial reports are to be available no later than August 31 in order for the annual audit to be completed by an independent auditor selected by the Auditor General. Annual financial statements are to be prepared on an accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

In addition, prudent business practices and transparency require timely preparation and completion of financial statements.

Regional Office management indicated they did not have adequate time to hire and/or train their accounting personnel in order to meet the August 31 deadline for Fiscal Year 2019. (Finding 19-001, pages 11 – 12)

The auditors recommended the ROE should implement procedures to ensure compliance with 105 ILCS 5/2-3.17a and

74 Ill. Adm. Code 420.320 (c) (2). Annual financial statements should be compiled on an accrual basis of accounting in accordance with GAAP. These financial statements need to be presented to the Auditor General's independent auditors for audit by the August 31 deadline.

ROE Response: *Due to an unexpected bookkeeper transition taking place, mid-financial statement preparation, the Regional Office was unable to complete or secure the necessary services needed to obtain complete books and records prior to the August 2019 deadline. However, the issue of timely reporting has been rectified by the Regional Superintendent securing the services of an accounting firm to prepare financial records in auditable form along with complete financial statements and reports. All necessary records will be available to auditors prior to the Auditor General Administrative Rules and Regulations.*

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #21 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #21 (ROE) did not have sufficient internal controls over the financial reporting disclosure process. The ROE maintained its accounting records on the cash basis of accounting during the fiscal year and posted year end accrual entries for audit purposes. While the ROE maintained controls over the processing of most accounting transactions, including providing information for several reconciling items between the governmental fund financial statements and the statement of net position and statement of activities, 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 ROE is required to maintain a system of controls over the preparation of financial statements in accordance with GAAP. Regional Office internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

During review of the financial information prepared by the ROE, it was noted that the ROE did not have adequate controls over the maintenance of complete records of accounts receivable, unavailable revenue, and fund balance. While the ROE did maintain records to indicate the balances of accounts receivable, unavailable revenue, and fund balance, misstatements were noted during the audit process that

required material adjustments to the accounts receivable, unavailable revenue, and fund balances within the Education Fund.

Regional Office management indicated the accounting staff is still in the process of obtaining training over applicable GAAP and GASB pronouncements, specifically the new GASB Statements requiring extensive disclosures and additional reporting requirements. (Finding 19-002, pages 13 – 14) **This finding was first reported in 2017.**

The auditors recommended as part of its internal control over the preparation of financial statements, including disclosures, the ROE should continue to implement a comprehensive preparation and/or review procedures to ensure that the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by an individual(s) possessing a thorough understanding of applicable GAAP, GASB pronouncements, and knowledge of the ROE's activities and operations.

ROE Response: *The Regional Superintendent recognizes the FY19 bookkeeper's inability to obtain the necessary financial statement training which led to misstatements. However, the issue of accurate reporting has been rectified by securing the services of an accounting firm to prepare financial records and statements. The Regional Superintendent will continue to obtain accounting firm services as necessary.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #21's financial statements as of June 30, 2019 are fairly presented in all material respects.

This financial audit was conducted by the firm of Sikich LLP.

SIGNED ORIGINAL ON FILE

MICHAEL PAONI
Division Assistant 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