



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

ILLINOIS STATE BOARD OF EDUCATION

**Financial Audit
 For the Year Ended June 30, 2017**

Release Date: January 9, 2018

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS																												
	Repeated Since	Category 1	Category 2	Category 3																									
<table border="0"> <tr> <td></td> <td style="text-align: center;"><u>New</u></td> <td style="text-align: center;"><u>Repeat</u></td> <td style="text-align: center;"><u>Total</u></td> <td></td> </tr> <tr> <td>Category 1:</td> <td style="text-align: center;">1</td> <td style="text-align: center;">0</td> <td style="text-align: center;">1</td> <td></td> </tr> <tr> <td>Category 2:</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td style="text-align: center;">0</td> <td></td> </tr> <tr> <td>Category 3:</td> <td style="text-align: center;"><u>0</u></td> <td style="text-align: center;"><u>0</u></td> <td style="text-align: center;"><u>0</u></td> <td></td> </tr> <tr> <td>TOTAL</td> <td style="text-align: center;">1</td> <td style="text-align: center;">0</td> <td style="text-align: center;">1</td> <td></td> </tr> </table>		<u>New</u>	<u>Repeat</u>	<u>Total</u>		Category 1:	1	0	1		Category 2:	0	0	0		Category 3:	<u>0</u>	<u>0</u>	<u>0</u>		TOTAL	1	0	1		No Repeat Findings			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>																										
Category 1:	1	0	1																										
Category 2:	0	0	0																										
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>																										
TOTAL	1	0	1																										
FINDINGS LAST AUDIT: 0																													

INTRODUCTION

This report contains only results pertaining to the Financial Statement Audit and agreed-upon procedures for the Illinois State Board of Education (Agency) for the year ended June 30, 2017. Our next engagement will include a financial audit for the year ended June 30, 2018 and a compliance examination for the two years ending June 30, 2018.

SYNOPSIS

- **(17-001)** The Agency's financial statements were materially misstated due to an overaccrual of liabilities.

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 **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with State laws and regulations.

{Expenditures and Activity Measures are summarized on next page.}

**ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AUDIT
For the Year Ended June 30, 2017**

Statement of Governmental Revenues, Expenditures and Changes in Fund Balances (In Thousands)	FY 2017	FY 2016
PROGRAM REVENUES		
General Fund.....	\$ 1	\$ 1
Other Funds.....	2,303,687	2,334,171
Total Program Revenues.....	<u>2,303,688</u>	<u>2,334,172</u>
EXPENDITURES		
General Fund.....	6,320,025	6,540,148
Other Funds.....	2,575,261	2,802,373
Total Expenditures.....	<u>8,895,286</u>	<u>9,342,521</u>
GENERAL REVENUES.....	<u>264</u>	<u>153</u>
OTHER SOURCES (USES)		
Appropriations from State resources.....	7,521,029	7,032,927
Lapsed appropriations.....	(30,564)	(40,922)
Receipts collected and transmitted to State Treasury.....	(6,517)	(4,086)
Reappropriations to Fiscal Year 2018.....	(4,391)	(4,391)
Transfers-out.....	(355)	(3,000)
Amount of SAMS Transfers-out.....	27	-
Capital lease financing.....	55	(60,876)
Net Other Sources (Uses) of Financial Resources.....	<u>7,479,284</u>	<u>6,919,652</u>
CHANGE IN FUND BALANCES.....	<u>\$ 887,950</u>	<u>\$ (88,544)</u>
Governmental Funds Balance Sheet (In Thousands)		
	FY 2017	FY 2016
ASSETS		
Cash and cash equivalents.....	\$ 17,785	\$ 21,629
Accounts receivable (includes State and other governments).....	364,744	393,753
All other assets.....	1,270,512	569,481
Total Assets.....	<u>\$ 1,653,041</u>	<u>\$ 984,863</u>
LIABILITIES		
Accounts payable and accrued liabilities.....	\$ 100,199	\$ 66,098
Due to local governments.....	2,305,821	2,575,091
All other liabilities.....	26,126	20,161
Total liabilities.....	<u>2,432,146</u>	<u>2,661,350</u>
DEFERRED INFLOWS OF RESOURCES.....	<u>83,954</u>	<u>75,408</u>
TOTAL FUND DEFICIT.....	<u>\$ (863,059)</u>	<u>\$ (1,751,895)</u>
STATE SUPERINTENDENT OF EDUCATION		
During Audit Period and Currently: Dr. Tony Smith, Ph.D.		

FINDING, CONCLUSION, AND RECOMMENDATION

FINANCIAL STATEMENT REPORTING ERROR

\$94.2 million misstatement of liabilities

The Illinois State Board of Education’s financial statements were materially misstated due to an overaccrual of liabilities. The \$94.2 million misstatement related to fiscal year 2018 expenditures for grant programs that were incorrectly included in the fiscal year 2017 liability. Agency personnel corrected the misstatement after it was identified during the audit. (Finding 1, pages 52-53)

We recommended the Agency exercise due care when performing internal control procedures to assess the risk of material misstatements of the Agency’s financial statements and to identify such misstatements during the financial statement preparation and review process.

Agency agrees with auditors

Management agreed with the finding and responded they will incorporate questions into the detailed checklists utilized when preparing and reviewing Agency GAAP packages.

AUDITOR’S OPINION

The auditors stated the financial statements of the Agency as of and for the year ended June 30, 2017 are fairly stated in all material respects.

This financial audit was conducted by Kerber, Eck & Braeckel LLP.

SIGNED ORIGINAL ON FILE

JANE CLARK
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:lkw