



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, 2021**

Release Date: June 22, 2022

FINDINGS THIS AUDIT: 2	New	Repeat	Total	AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	0	1	2020		1	
Category 2:	0	1	1				
Category 3:	0	0	0				
TOTAL	1	1	2				
FINDINGS LAST AUDIT: 1							

SYNOPSIS

- **(21-01)** The Agency did not exercise adequate internal control over the State’s Evidence-Based Funding Formula or promptly disclose a significant known matter to the auditors.
- **(21-02)** The Agency did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

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.

**ILLINOIS STATE BOARD OF EDUCATION
FINANCIAL AUDIT
For the Year Ended June 30, 2021**

Governmental Revenues, Expenditures and Changes in Fund Balances (In Thousands)	FY 2021	FY 2020
PROGRAM REVENUES		
Charges for services.....	\$ 4,805	\$ 4,778
Operating grants.....	3,280,184	2,396,132
Total Program Revenues.....	<u>3,284,989</u>	<u>2,400,910</u>
EXPENDITURES		
Program.....	12,276,962	11,363,574
Debt service.....	36	39
Capital outlay.....	4,914	6,114
Total Expenditures.....	<u>12,281,912</u>	<u>11,369,727</u>
GENERAL REVENUES.....	<u>28</u>	<u>307</u>
OTHER SOURCES (USES)		
Appropriations from State resources.....	9,205,730	9,233,850
Lapsed appropriations.....	(24,939)	(9,031)
Receipts collected and transmitted to State Treasury.....	(7,755)	(11,689)
Reappropriations.....	(247,695)	(248,156)
Amount of SAMS Transfers-out.....	147	347
Transfers-in.....	1,366	0
Transfers-out.....	(260)	0
Net Other Sources (Uses) of Financial Resources.....	<u>8,926,594</u>	<u>8,965,321</u>
Net change in fund balance.....	(70,301)	(3,189)
Fund balance (deficit) July 1.....	<u>(931,976)</u>	<u>(929,070)</u>
Changes in inventories.....	(750)	283
Fund balance (deficit) June 30.....	<u>\$ (1,003,027)</u>	<u>\$ (931,976)</u>
Governmental Funds Balance Sheet (In Thousands)		
ASSETS		
Cash and cash equivalents.....	\$ 30,514	\$ 29,509
Accounts receivable (includes State and other governments).....	768,330	563,272
All other assets.....	370,729	412,080
Total Assets.....	<u>\$ 1,169,573</u>	<u>\$ 1,004,861</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Accounts payable and accrued liabilities.....	\$ 59,194	\$ 43,164
Due to others (includes other governments and State funds).....	1,957,980	1,773,903
All other liabilities.....	817	878
Unavailable revenue.....	154,609	118,892
Total liabilities.....	<u>2,172,600</u>	<u>1,936,837</u>
FUND BALANCE (DEFICIT)	<u>\$ (1,003,027)</u>	<u>\$ (931,976)</u>
STATE SUPERINTENDENT OF EDUCATION		
During Audit Period: Dr. Carmen I. Ayala		
Currently: Dr. Carmen I. Ayala		

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

EVIDENCED-BASED FUNDING FORMULA ERROR

The Illinois State Board of Education (Agency) did not exercise adequate internal control over the State's Evidence-Based Funding (EBF) Formula or promptly disclose a significant known matter to the auditors.

During fieldwork, we noted the following:

- Agency management disclosed a coding error to us regarding enrollment counts within the State's Evidence-Based Funding Formula on April 22, 2022. As a result of this error, the Agency made a significant overpayment to one school district and underpayments to other school districts. We proposed an adjusting journal entry of \$42.552 million to increase the amount due (a liability) to the underpaid school districts at June 30, 2021, which was recorded by Agency management in the Agency's final financial statements. Further, we proposed the Agency's management develop additional footnote disclosure to address the amount due to the Agency from the overpaid school district, which was included within the Agency's final financial statements.
- According to Agency management, they became aware of this problem in December 2021 while preparing a report for the Agency's Evidence-Based Funding Professional Review Panel. Agency management commenced an investigation of the problem and disclosed the existence of this matter to the Agency's governing board in mid-February 2022. However, we only became aware of this problem through public news reports and legislative hearings in early April 2022. Subsequently, we inquired of Agency officials on April 22, 2022, for additional information about this undisclosed problem and the impact of the matter on the Agency's ongoing financial audit. (Finding 1, pages 61-63)

Inadequate controls over EBF formula

\$42.552 million increased liability adjustment

Failure to disclose EBF formula error to the auditors

We recommended the Agency implement controls, including adequate supervisory reviews, to ensure the formula for the State's Evidence-Based Funding grant program strictly complies with the applicable provisions of the School Code. Further, we recommended the Agency comply with the Illinois State Auditing Act by the prompt and timely disclosure of known events, conditions, and transactions which could impact either an ongoing audit or previously released audit performed by the Auditor General, even if the full ramifications of the matter are not yet known.

Agency agreed with recommendation

The Agency agreed with the recommendation and stated corrective actions that will be employed to ensure the accuracy of the Evidence-Based Funding are initiating a process to pursue an independent audit of the Evidence-Based Funding Formula model, and conducting independent compilations of enrollment totals in order to validate the calculations from student-level counts to each E-BFOU's unit-level summaries.

Census data reconciliation not performed

LACK OF CENSUS DATA RECONCILIATIONS

The Illinois State Board of Education (Agency) did not have a reconciliation process to provide assurance census data submitted to its pension and other postemployment benefits (OPEB) plans was complete and accurate.

During testing, we noted the Agency had not performed an initial complete reconciliation of its census data recorded by the State Employees' Retirement System of Illinois (SERS) and the Department of Central Management Services (CMS) to its internal records to establish a base year of complete and accurate census data. (Finding 2, pages 64-66)

We recommended the Agency work with SERS and CMS to develop an annual reconciliation process of its active members' census data from its underlying records to a report from each plan of census data submitted to the plan's actuary.

Agency agreed with recommendation

The Agency agreed with the recommendation and stated a solution has been put into place. On September 1, 2021, the Agency's Human Resources Department completed an annual reconciliation for active members' FY21 census data in collaboration with SERS and CMS. This data will be used for FY22 and FY23 financial statements and the reconciliation of new members will continue in future years.

We will review the Agency's progress towards the implementation of our recommendations in our next financial audit.

AUDITOR'S OPINION(S)

The auditors stated the financial statements of the Agency as of and for the year ended June 30, 2021 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

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