



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, 2022**

Release Date: April 18, 2023

FINDINGS THIS AUDIT: 3	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	2	1	3	2021	22-2		
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	2	1	3				
FINDINGS LAST AUDIT: 2							

SYNOPSIS

- **(22-01)** The Agency did not did not maintain sufficient controls over financial reporting to ensure its financial statements and the generally accepted accounting principles (GAAP) Package reports prepared for the Office of Comptroller utilized to compile the State of Illinois' Annual Comprehensive Financial Report were complete and accurate.
- **(22-02)** The Agency did not did not exercise adequate internal control over the State's Evidence-Based Funding Formula.

<p>Category 1: Findings that are material weaknesses in internal control and/or a qualification on compliance with State laws and regulations (material noncompliance).</p> <p>Category 2: Findings that are significant deficiencies in internal control and noncompliance with State laws and regulations.</p> <p>Category 3: Findings that have no internal control issues but are in noncompliance with State laws and regulations.</p>

ILLINOIS STATE BOARD OF EDUCATION

FINANCIAL AUDIT

For the Year Ended June 30, 2022

Governmental Revenues, Expenditures and Changes in Fund Balances (In Thousands)	FY 2022	FY 2021
PROGRAM REVENUES		
Charges for services.....	\$ 5,171	\$ 4,805
Operating grants.....	4,750,069	3,280,184
Total Program Revenues.....	<u>4,755,240</u>	<u>3,284,989</u>
EXPENDITURES		
Program.....	14,051,930	12,276,962
Debt service.....	2,067	36
Capital outlay.....	3,751	4,914
Total Expenditures.....	<u>14,057,748</u>	<u>12,281,912</u>
GENERAL REVENUES.....	<u>1,125</u>	<u>28</u>
OTHER SOURCES (USES)		
Appropriations from State resources.....	9,659,494	9,205,730
Lapsed appropriations.....	(53,396)	(24,939)
Receipts collected and transmitted to State Treasury.....	(44,831)	(7,755)
Reappropriations.....	(235,393)	(247,695)
Amount of SAMS Transfers-out.....	3	147
Transfers-in.....	98	1,366
Transfers-out.....	0	(260)
Lease financing.....	73	0
Net Other Sources (Uses) of Financial Resources.....	<u>9,326,048</u>	<u>8,926,594</u>
Net change in fund balance.....	24,665	(70,301)
Fund balance (deficit) July 1, as restated.....	<u>(1,003,027)</u>	<u>(931,976)</u>
Changes in inventories.....	(355)	(750)
Fund balance (deficit) June 30.....	<u>\$ (978,717)</u>	<u>\$ (1,003,027)</u>
Governmental Funds Balance Sheet (In Thousands)		
ASSETS		
Cash and cash equivalents.....	\$ 57,610	\$ 30,514
Accounts receivable (includes State and other governments).....	1,112,546	768,330
All other assets.....	152,256	370,729
Total Assets.....	<u>\$ 1,322,412</u>	<u>\$ 1,169,573</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES		
Accounts payable and accrued liabilities.....	\$ 77,224	\$ 59,194
Due to others (includes other governments and State funds).....	2,044,759	1,957,980
All other liabilities.....	1,043	817
Unavailable revenue.....	178,103	154,609
Total liabilities.....	<u>2,301,129</u>	<u>2,172,600</u>
FUND BALANCE (DEFICIT)	<u>\$ (978,717)</u>	<u>\$ (1,003,027)</u>
STATE SUPERINTENDENT OF EDUCATION		
During Audit Period: Dr. Carmen I. Ayala		
Currently: Dr. Tony Sanders		

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

FINANCIAL STATEMENT REPORTING ERROR

The Illinois State Board of Education (Agency) did not maintain sufficient controls over financial reporting to ensure its financial statements and the generally accepted accounting principles (GAAP) Package reports prepared for the Office of Comptroller utilized to compile the State of Illinois' Annual Comprehensive Financial Report were complete and accurate.

During testing, we noted the Agency did not perform a sufficient review of all accounts and amounts recorded within its financial statements and GAAP Package reports. Specifically, we noted the following issues while testing the year-end financial reporting process:

- The Agency improperly included a \$13.75 million future appropriation for the Drivers Education Fund (Fund 031) as a liability in the General Revenue Fund (Fund 001). The liability was also properly recorded in Fund 031. This duplication caused total liabilities and expenses in the General Fund to be overstated by \$13.75 million. This material adjustment was subsequently recorded by the Agency in its final General Fund and Governmental Activities' financial statements.

- The Agency improperly included a \$305 million future appropriation for the Education Assistance Fund (Fund 007) as a liability in Fund 001. The liability was also not recorded in Fund 007's GAAP Package report. As such, Fund 001's liability and expenses were overstated by \$305 million, and Fund 007's liability and expenses were understated by the corresponding amount. As both Fund 001 and Fund 007 are subaccounts of the General Fund, this error had no net effect on the overall General Fund and Governmental Activities' financial statement presentation. However, this material adjustment was subsequently recorded by the Agency in the General Fund's combining schedules. (Finding 1, pages 62-63)

General Fund overstated by \$13.75 million

\$305 million overstatement in Fund 001 liabilities

We recommended the Agency document procedures for calculating future appropriation liabilities, compare the amounts on the financial reporting forms to the appropriation bill, and exercise due care during the financial statement preparation and review process to ensure accurate financial reporting.

Agency agreed with recommendation

The Agency agreed with the recommendation and stated it has implemented corrective action by developing a template for supporting documentation for future year appropriation liabilities that includes the appropriation codes for each future year liability and by implementing a step in the process that verifies the appropriation codes and amounts using the Illinois Office of the Comptroller's website to ensure that amounts recorded in GAAP reporting packages are accurate.

FAILURE TO REASSESS CWI CONTAINED WITHIN THE EBF FORMULA

The Agency did not exercise adequate internal control over the State's Evidence-Based Funding Formula (Formula). The Formula directs how the Agency is to distribute Evidence-Based Funding (EBF) to various Evidence-Based Funding Organizational Units (E-BFOUs) across the State, which includes school districts, alternative schools run by regional superintendents of education, and two laboratory schools.

Failure to re-determine CWI

With regards to ensuring the Formula's accuracy, during the Agency's current financial audit for the year ended June 30, 2022, we noted the Agency failed to re-determine the Comparable Wage Index (CWI) used in the Formula as required by the School Code. Specifically, we noted the original CWI was still being used in the Formula even though, based on statutory requirement, the State Superintendent would have been responsible for re-determining the CWI in Fiscal Year 2021 or Fiscal Year 2022. (Finding 2, pages 64-65)

We recommended Agency management implement adequate internal controls, including hiring additional staff to help with the prioritization of Committee responsibilities, to re-determine the CWI in line with the requirements of the School Code.

Agency agreed with recommendation

The Agency agreed with the recommendation and stated it is in the process of corrective action and it is collaborating with a third party vendor to map and document the EBF calculation process to improve internal controls.

OTHER FINDING

The remaining finding pertains to inadequate controls over change management. We will review the Agency's progress towards the implementation of our recommendations in our next financial audit.

AUDITOR'S OPINION

The auditors stated the financial statements of the Agency as of and for the year ended June 30, 2022 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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