



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #1
ADAMS, BROWN, CASS, MORGAN, PIKE, AND SCOTT COUNTIES

FINANCIAL AUDIT
 For the Year Ended: June 30, 2017

Release Date: May 3, 2018

FINDINGS THIS AUDIT: 2				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
	<u>New</u>	<u>Repeat</u>	<u>Total</u>				
Category 1:	0	2	2	2015	17-1		
Category 2:	0	0	0	2013	17-2		
Category 3:	0	0	0				
TOTAL	0	2	2				
FINDINGS LAST AUDIT: 2							

SYNOPSIS

- (17-1) The Regional Office of Education #1 did not have sufficient internal controls over the financial reporting process.
- (17-2) The Regional Office of Education #1 did not have sufficient internal control over accounting and closing transactions.

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 #1
ADAMS, BROWN, CASS, MORGAN, PIKE, AND SCOTT COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2017

	FY 2017	FY 2016
TOTAL REVENUES	\$3,066,193	\$2,803,754
Local Sources	\$822,853	\$721,088
% of Total Revenues	26.84%	25.72%
State Sources	\$1,931,045	\$1,661,466
% of Total Revenues	62.98%	59.26%
Federal Sources	\$312,295	\$421,200
% of Total Revenues	10.19%	15.02%
TOTAL EXPENDITURES	\$3,542,078	\$1,533,756
Salaries and Benefits	\$2,370,443	\$788,165
% of Total Expenditures	66.92%	51.39%
Purchased Services	\$420,163	\$324,083
% of Total Expenditures	11.86%	21.13%
All Other Expenditures	\$751,472	\$421,508
% of Total Expenditures	21.22%	27.48%
TOTAL NET POSITION	\$1,848,974 ¹	\$2,321,465
INVESTMENT IN CAPITAL ASSETS	\$29,706	\$25,778
¹ The FY17 beginning net position was restated by \$3,394 due to the omission of a certificate of deposit in the prior year. Percentages may not add due to rounding		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Jill Reis Currently: Honorable Jill Reis

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**CONTROLS OVER FINANCIAL STATEMENT
PREPARATION**

The Regional Office of Education #1 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #1 (ROE) did not have sufficient internal controls over the financial reporting process. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the 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. The Regional Office'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).

During review of the ROE's accounting records, auditors noted the ROE's financial information required several adjusting entries to present the financial statements in accordance with GAAP.

The ROE did not have adequate controls to record and report its net accrued pension liability/asset, deferred outflows and inflows of resources, and pension expense in accordance with GAAP. Proposed adjusting entries were approved and accepted by the Regional Office's management.

According to Regional Office management, current funding levels are not adequate to hire and/or train accounting personnel in order to comply with the complex financial reporting requirements. (Finding 2017-001, pages 11a-11b)
This finding was first reported in 2015.

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

ROE Response: *The ROE understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office will review the current auditors' recommendation and will work to revise the ROE's policies, procedures and/or practices to address the finding noted.*

Prior Year ROE Response: *The ROE understands the nature of this finding and realizes this circumstance is not unusual in an organization of this size. The Regional Office will review the current auditors' recommendation and will work to revise the ROE's policies, procedures and/or practices to address the finding noted.*

INTERNAL CONTROL OVER ACCOUNTING AND CLOSING TRANSACTIONS

The Regional Office of Education #1 did not have sufficient internal control over accounting and closing transactions.

The Regional Office did not have sufficient internal control over accounting and closing transactions. Auditors noted the following internal control weaknesses over the accounting and closing processes:

- The ROE records overhead and administrative costs in the general fund and allocates those costs as needed to the appropriate special revenue or other funds. Auditors noted several instances where administrative costs were appropriately recorded as expenditures in the fund that reimbursed the cost but the reimbursements were recorded as transfers into the general fund, without a corresponding transfer out from the reimbursing fund, resulting in expenditures being overstated and interfund transfers being out of balance.
- Opening trial balance presented to auditors was out of balance by \$1,730.
- Two erroneous journal entries were recorded to reverse the prior year's accounts payable that was not accrued in the prior year resulting in accounts payable being understated by \$150,589.
- January bank statement was not reconciled to the general ledger until May 17, 2017.
- A certificate of deposit in the amount of \$3,492, received during the consolidation of the Regional Office of Education #46 into the Regional Office of Education #1 in fiscal year 2016, was not recorded in the accounting records.
- Assets in the amount of \$5,279 purchased during the year were not included on the capital asset schedule presented to auditors.

The Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system over

the ROE's accounting processes to prevent errors and fraud in reporting.

According to Regional Office officials, the ROE has not established or documented sufficient internal control procedures of its financial processes. (Finding 2017-002, pages 11c-11d) **This finding was first reported in 2013.**

The auditors recommended the ROE establish and maintain proper internal controls over accounting and closing transactions to eliminate the weaknesses specified in the finding.

ROE Response: *The Regional Office accepts the auditors' recommendations and has revised policies, procedures, and/or practices to address the finding noted.*

Prior Year ROE Response: *The Regional Office accepts the auditors' recommendations and has revised policies, procedures, and/or practices to address the finding noted.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #1's financial statements as of June 30, 2017 are fairly presented in all material respects.

This financial report was conducted by the firm of Kemper CPA Group LLP.

SIGNED ORIGINAL ON FILE

AMEEN DADA
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:JRB