



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #8
CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES

FINANCIAL AUDIT
 For the Year Ended: June 30, 2015

Release Date: April 14, 2016

FINDINGS THIS AUDIT: 2				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since 2010	Category 1	Category 2	Category 3
Category 1:	<u>New</u> 1	<u>Repeat</u> 1	<u>Total</u> 2	2010	15-1		
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	1	1	2				
FINDINGS LAST AUDIT: 1							

SYNOPSIS

- (15-1) The Regional Office of Education #8 did not have sufficient internal controls over the financial reporting process.
- (15-2) The Regional Office of Education #8 did not have adequate segregation of duties over cash receipts.

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 #8
CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2015

	FY 2015	FY 2014
TOTAL REVENUES	\$5,717,236	\$5,290,087
Local Sources	\$1,122,887	\$1,106,259
% of Total Revenues	19.64%	20.91%
State Sources	\$4,444,046	\$3,994,498
% of Total Revenues	77.73%	75.51%
Federal Sources	\$150,303	\$189,330
% of Total Revenues	2.63%	3.58%
TOTAL EXPENDITURES	\$5,725,172	\$5,324,778
Salaries and Benefits	\$3,020,553	\$2,886,228
% of Total Expenditures	52.76%	54.20%
Purchased Services	\$950,917	\$929,046
% of Total Expenditures	16.61%	17.45%
All Other Expenditures	\$1,753,702	\$1,509,504
% of Total Expenditures	30.63%	28.35%
TOTAL NET POSITION	\$1,464,061 ¹	\$1,222,392
INVESTMENT IN CAPITAL ASSETS	\$19,864	\$30,126
<p>¹ The FY 2015 beginning net position was restated by \$249,605 due to a prior period adjustment for new reporting requirements for pensions.</p> <p>Percentages may not add due to rounding.</p>		

REGIONAL SUPERINTENDENT

During Audit Period: Honorable Aaron Mercier

Currently: Honorable Aaron Mercier

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**CONTROLS OVER FINANCIAL STATEMENT
PREPARATION**

The Regional Office of Education #8 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #8 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office 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).

The Regional Office of Education #8 did not have sufficient internal controls over the financial reporting process. While the Regional Office maintains control over the processing of most accounting transactions, there were not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect and correct financial statement misstatements and disclosure omissions in a timely manner.

During review of the Regional Office of Education #8's financial information prepared by the Regional Office of Education #8, it was noted the Regional Office did not have adequate controls to ensure financial statement balances were accurate. While Regional Office of Education #8 did maintain records to indicate the balances of financial statement accounts, numerous material audit adjustments, including those required under GASB Statements No. 34, No. 68, and No. 71, were proposed in order to ensure those balances were accurate.

According to Regional Office officials, they did not effectively detect all of the material adjustments, including those required under GASB Statements No. 34, No. 68, and No. 71, needed in order to present financial statements in accordance with GAAP. (Finding 2015-001, pages 11-13)
This finding was first reported in 2010.

Auditors recommended that as part of internal control over the preparation of financial statements, including disclosures, the Regional Office of Education #8 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. These procedures should be

performed by a properly trained individual possessing a thorough understanding of applicable GAAP, GASB pronouncements, and knowledge of the Regional Office of Education #8's activities and operations.

The Regional Office of Education #8 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization this size. The Regional Office accepts the degree of risk associated with this condition because the added expense of seeking additional expertise to prepare and/or review financial statements would take away from the funds available to provide educational services to students and teachers. The cost of hiring and training additional staff or contracting services outweighs the benefit. If additional resources are made available through the State of Illinois, the Regional Office will consider seeking the services of an accountant to review the financial statements and related disclosures for completeness and accuracy. (For previous Regional Office response, see Digest Footnote #1 shown at the end of the digest.)

INADEQUATE SEGREGATION OF DUTIES OVER CASH RECEIPTS

The Regional Office of Education #8 did not have adequate segregation of duties over cash receipts.

Internal controls should be in place to reduce the likelihood a material misstatement to the financial statements could occur and not be detected and corrected in a timely period by employees in the normal course of performing their assigned functions. A good system of internal controls includes an adequate segregation of duties so that no one individual handles a transaction from its inception to its completion.

The Bookkeeper is able to accept, deposit, and record cash receipts along with reconciling the monthly bank statements. Additionally, there is no process in place where the cash receipt logs are being reconciled to the bank deposits or general ledger.

The Regional Office of Education #8 has not adequately segregated duties over cash receipts. (Finding 2015-002, page 14)

Auditors recommended that the Regional Office should assign the duties of accepting and depositing cash receipts among other staff. The Bookkeeper could continue to record deposit transactions in the accounting system, verify that cash receipt remittances agree to the bank deposits and perform the monthly bank reconciliations for review by the Regional Superintendent. Additionally, the Regional Office should regularly review controls which could be put in place to mitigate the risk that misstatement could occur and not be detected and corrected.

The Regional Office of Education #8 responded that it understands the nature of this finding and has taken steps to address this issue. It has implemented procedures to segregate the duties of accepting, depositing and recording cash receipts, and reconciling the monthly bank statements. The Regional Office also implemented procedures to reconcile the cash receipt logs to the bank deposits.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #8's financial statements as of June 30, 2015 are fairly stated in all material respects.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:KJM

AUDITORS ASSIGNED: Winkel, Parker and Foster, CPA
PC were our special assistant auditors.

DIGEST FOOTNOTE

#1: Controls Over Financial Statement Preparation - Previous Regional Office Response

In its prior response in 2014, the Regional Office responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization this size. The Regional Office has taken steps to address this issue. It has consolidated accounts into one ledger, consolidated banking relationships, and clarified job roles of accounting staff within the ROE. The Regional Office noted that it accepts the degree of risk associated with this condition because the added expense of seeking additional expertise to prepare and/or review financial statements would take away from the funds available to provide educational services to students and teachers. The Regional Office also noted that the cost of hiring and training additional staff or contracting services outweighs the benefit. If additional resources are made available through the State of Illinois, the Regional Office will consider seeking the services of an accountant to review the financial statements and related disclosures for completeness and accuracy.

