



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, 2021

Release Date: March 3, 2022

FINDINGS THIS AUDIT: 2				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since 2010	Category 1	Category 2	Category 3
Category 1:	<u>New</u> 0	<u>Repeat</u> 1	<u>Total</u> 1	2010	21-1		
Category 2:	1	0	1				
Category 3:	0	0	0				
TOTAL	1	1	2				
FINDINGS LAST AUDIT: 1							

SYNOPSIS

- **(21-1)** The Regional Office of Education #8 did not have sufficient internal controls over the financial reporting process.
- **(21-2)** The Regional Office of Education #8 did not have adequate controls over bank reconciliations.

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.

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

FINANCIAL AUDIT
For The Year Ended June 30, 2021

	FY 2021	FY 2020
TOTAL REVENUES	\$7,182,027	\$6,619,380
Local Sources	\$1,391,299	\$1,292,339
% of Total Revenues	19.37%	19.52%
State Sources	\$5,577,293	\$5,216,847
% of Total Revenues	77.66%	78.81%
Federal Sources	\$213,435	\$110,194
% of Total Revenues	2.97%	1.66%
TOTAL EXPENDITURES		
Salaries and Benefits	\$4,175,870	\$3,977,775
% of Total Expenditures	63.46%	60.75%
Purchased Services	\$924,426	\$771,926
% of Total Expenditures	14.05%	11.79%
All Other Expenditures	\$1,479,823	\$1,798,442
% of Total Expenditures	22.49%	27.46%
TOTAL NET POSITION		
	\$2,851,794	\$(474,877)
INVESTMENT IN CAPITAL ASSETS		
	\$0	\$45,850
¹ The FY 2021 beginning net position was restated by \$2,724,763 due to converting the financial statements to the cash basis of accounting and the reclassification of a fund under new reporting requirements for fiduciary funds. Percentages may not add due to rounding.		

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.

During review of the Regional Office of Education #8's (ROE) financial information, it was noted the ROE did not have adequate controls to ensure financial statement balances and disclosures were accurate. While the ROE maintained records to indicate the balances of financial statement accounts, material audit adjustments and changes to the related disclosures were proposed in order to ensure those balances and disclosures were accurate and appropriate for the basis of accounting selected for financial statement presentation. The ROE implemented Governmental Accounting Standards Board (GASB) Statement No. 84 – *Fiduciary Activities* for fiscal year 2021. The E.H. Parriott Scholarship Trust Principal and Trust Income Funds were misclassified as General Funds instead of Fiduciary Funds; the misclassification caused the ROE's financial statements to be materially misstated.

Effective June 25, 2021, Public Act 102-0025 allowed that a Regional Office of Education or Educational Service Center may utilize a cash basis, modified cash basis, or generally accepted accounting principles (GAAP) basis of accounting to prepare the financial statements for audit. The ROE chose to utilize the cash basis of accounting for financial statement reporting. The ROE is required to maintain a system of controls over the preparation of financial statements in accordance with its selected basis of accounting. The ROE's internal controls over financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare financial statements and include all related disclosures as required by the GASB. GASB Statement No. 84 – *Fiduciary Activities* provides guidance regarding properly identifying fiduciary activities, determining the correct fiduciary fund type to use to report fiduciary activities, and presenting the financial statements of fiduciary funds.

The Regional Office's management indicated there was miscommunication between their contracted CPA firm and their new bookkeeper as the financial statements were prepared, regarding the classification of the Parriott Trust funds. (Finding 2021-001, pages 11-12) **This finding was first reported in 2010.**

The auditors recommended that as part of internal control over the preparation of financial statements, including disclosures, the ROE 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 the basis of accounting selected for financial statements, GASB pronouncements, and knowledge of the ROE's activities and operations.

ROE Response: *The ROE 8 has contracted with an outside company to prepare financial statements on a cash basis for the first time this year. The ROE 8 has also employed a new bookkeeper that is inexperienced in the requirements of financial reporting for a Regional Office of Education; this misclassification of funds has been corrected and will not be repeated. We will continue to work on our internal procedures and with our financial report preparer to improve our accuracy in reporting.*

CONTROLS OVER BANK RECONCILIATIONS

The Regional Office of Education #8 did not have adequate controls over bank reconciliations.

The Regional Office of Education #8 did not have adequate controls over bank reconciliations. During the auditors' review of the June 2021 bank reconciliation, they noted a transfer in transit that was not properly reflected in the reconciliation or the general ledger. Although the bank reconciliation was performed and reviewed, it did not accurately reflect the transfer in transit and the relating receipt of funds was not properly recorded in the general ledger.

Effective internal control policies require complete and accurate accounting records of all transactions of the entity. Sound internal controls require bank reconciliations to be performed accurately and promptly. Reconciling items should be investigated immediately, and adjustments made to the general ledger. Bank reconciliations should also be reviewed and approved by a person independent of the preparer in a timely manner.

Regional Office management indicated that this error in reconciliation was a product of a new bookkeeper in training that did not understand how to properly record the receipt of funds. (2021-002, page 13)

The auditors recommended the ROE should ensure transfers between bank accounts are properly accounted for in bank reconciliations and receipt of those funds is recorded upon initial collection. The ROE should ensure review of bank reconciliations includes reviewing the accounting treatment of receipts collected and transferred to other bank accounts.

ROE Response: *As a product of this finding, our bookkeeper is now keenly aware of how the receipt of funds should be recorded. This issue is a one-time occurrence due to a bookkeeper inexperienced with all of the ROE requirements on reconciliations; it is an error that won't happen again.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #8's financial statements as of June 30, 2021 are fairly presented in all material respects.

This financial audit was conducted by the firm of Winkel, Parker & Foster, CPA PC.

SIGNED ORIGINAL ON FILE

JOE BUTCHER
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:BAO