



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, 2023

Release Date: March 27, 2024

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	0	0				
Category 2:	2	0	2				
Category 3:	0	0	0				
TOTAL	2	0	2	No Repeat Findings			
FINDINGS LAST AUDIT: 0							

SYNOPSIS

- (23-1) The Regional Office of Education #8 lacked adequate controls over the review of internal controls over external service providers.
- (23-2) The Regional Office of Education #8 did not have adequate internal controls over disposal of capital assets.

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, 2023

	FY 2023	FY 2022
TOTAL REVENUES	\$6,931,760	\$5,937,393
Local Sources	\$1,402,131	\$1,324,287
% of Total Revenues	20.23%	22.30%
State Sources	\$5,320,610	\$4,413,343
% of Total Revenues	76.76%	74.33%
Federal Sources	\$209,019	\$199,763
% of Total Revenues	3.02%	3.36%
TOTAL EXPENDITURES	\$7,080,127	\$6,201,778
Salaries and Benefits	\$3,807,001	\$3,577,933
% of Total Expenditures	53.77%	57.69%
Purchased Services	\$495,618	\$376,865
% of Total Expenditures	7.00%	6.08%
All Other Expenditures	\$2,777,508	\$2,246,980
% of Total Expenditures	39.23%	36.23%
TOTAL NET POSITION	\$2,439,042	\$2,587,409
INVESTMENT IN CAPITAL ASSETS	\$0	\$0
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Aaron Mercier
Currently: Honorable Aaron Mercier

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**LACK OF ADEQUATE CONTROLS OVER REVIEW
OF INTERNAL CONTROLS OVER EXTERNAL
SERVICE PROVIDERS**

The Regional Office of Education #8 lacked adequate controls over the review of internal controls over external service providers.

The Regional Office of Education #8 (ROE) lacked adequate controls over the review of internal controls over external service providers. During testing, the auditors noted the ROE had not:

- Developed a formal process for identifying service providers and for either obtaining the Service Organization Controls (SOC) reports from the service providers and related subservice organization or performing alternative procedures to determine the impact of such services on its internal control environment on an annual basis.
- Documented its review of each of the SOC reports, or performed alternative procedures, to evaluate any issues relevant to the ROE's internal controls.
- Monitored and documented the operation of the Complementary User Entity Controls (CUECs) relevant to the ROE's operations.

The ROE is responsible for the design, implementation, and maintenance of internal controls, including the controls that are outsourced to service providers, related to information systems and operations to ensure resources and data are adequately protected from unauthorized or accidental disclosure, modifications, or destruction. This responsibility is not limited due to the process being outsourced.

Generally accepted information technology guidance endorses the review and assessment of internal controls related to information systems and operations to assure accurate processing and security of information.

Regional Office management indicated they understand the importance of a formal process to monitor service providers and due to competing priorities, they were still not able to address the issues noted. (Finding 2023-001, pages 11 – 12)

The auditors recommended the ROE identify all third-party service providers and determine and document if a review of controls is required. If required, the ROE should:

- Obtain SOC reports or perform independent reviews of internal controls associated with outsourced systems including services provided by subservice organizations, at least annually.

- Monitor and document the operation of the CUECs relevant to the ROE's operations.
- Document its review of the SOC reports or perform alternative procedures to evaluate all significant issues to ascertain if a corrective action plan exists and when it will be implemented, any impacts to the ROE, and any compensating controls.
- Review contracts with service providers to ensure applicable requirements over the independent review of internal controls are included.

ROE Response: *ROE No. 8 understands the importance of this finding and has consulted with other ROEs on a best practice procedure to comply with this requirement. The corrective action indicates a new procedural plan as follows:*

- *Obtain SOC reports from providers on an annual basis in December of each year.*
- *Regional Superintendent or Asst. Regional Superintendent reviews and initials SOC reports.*
- *Regional Superintendent or Asst. Regional Superintendent reviews any significant issues with providers and ascertains if a corrective action plan exists.*
- *Regional Superintendent or Asst. Regional Superintendent reviews contracts with service providers to ensure applicable requirements over independent review of internal controls are included.*
- *Regional Superintendent or Asst. Regional Superintendent monitors CUECs relevant to ROE #8.*
- *ROE No. 8 will refer any concerns to its technology support contractor.*

INADEQUATE INTERNAL CONTROLS OVER DISPOSAL OF CAPITAL ASSETS

The Regional Office of Education #8 did not have adequate internal controls over disposal of capital assets.

The Regional Office of Education #8 (ROE) did not have adequate internal controls over disposal of capital assets. Auditors noted 5 of 5 disposed equipment tested (100%), had no documentation of approval for the disposal.

The Regional Office of Education Accounting Manual requires each ROE to maintain detailed fixed assets for accounting purposes, as well as insurance purposes, for fixed assets costing \$500 or more. In addition, sound internal controls require that policies and procedures on fixed assets should cover acquisition and tagging, recording and reporting, depreciation (if applicable), transfers and dispositions, an annual physical inventory, and they should be formally documented and consistently applied.

Regional Office management indicated competing priorities resulted in not having adequate controls over the maintenance of the disposal of capital assets. (Finding 2023-002, page 13)

The auditors recommended the ROE should establish and document internal control procedures to ensure disposal of capital assets is properly maintained.

ROE Response: *ROE No. 8 understands the nature of this finding, and has begun to implement a corrective action plan, which should be fully implemented by June 30, 2024. ROE No. 8 will add an equipment disposal section to our current inventory log and advise Program Coordinators to document approval to dispose of equipment (items over \$500). The Grant Coordinator manages the current inventory log and will be responsible for implementing this procedure.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #8's financial statements as of June 30, 2023 are fairly presented in all material respects.

This financial audit was conducted by the firm of Adelfia LLC.

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