



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #12**  
**CLAY, CRAWFORD, JASPER, LAWRENCE AND RICHLAND COUNTIES**

FINANCIAL AUDIT  
 For the Year Ended: June 30, 2016

Release Date: June 8, 2017

| FINDINGS THIS AUDIT: 1 | AGING SCHEDULE OF REPEATED FINDINGS |               |              |                |            |            |            |
|------------------------|-------------------------------------|---------------|--------------|----------------|------------|------------|------------|
|                        | <u>New</u>                          | <u>Repeat</u> | <u>Total</u> | Repeated Since | Category 1 | Category 2 | Category 3 |
| <b>Category 1:</b>     | 0                                   | 1             | 1            | 2015           | 16-1       |            |            |
| <b>Category 2:</b>     | 0                                   | 0             | 0            |                |            |            |            |
| <b>Category 3:</b>     | 0                                   | 0             | 0            |                |            |            |            |
| <b>TOTAL</b>           | 0                                   | 1             | 1            |                |            |            |            |
| FINDINGS LAST AUDIT: 2 |                                     |               |              |                |            |            |            |

**SYNOPSIS**

- **(16-1)** The Regional Office of Education #12 did not have sufficient internal controls over the financial reporting process.

**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 #12**  
**CLAY/CRAWFORD/JASPER/LAWRENCE/RICHLAND COUNTIES**

**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2016**

|  | <b>FY 2016</b> | <b>FY 2015</b> |
|--|----------------|----------------|
| <b>TOTAL REVENUES</b>                    | \$2,387,065    | \$2,046,098    |
| Local Sources                            | \$318,154      | \$337,291      |
| % of Total Revenues                      | 13.33%         | 16.48%         |
| State Sources                            | \$1,942,468    | \$1,612,643    |
| % of Total Revenues                      | 81.37%         | 78.82%         |
| Federal Sources                          | \$126,443      | \$96,164       |
| % of Total Revenues                      | 5.30%          | 4.70%          |
| <b>TOTAL EXPENDITURES</b>                | \$2,251,158    | \$2,086,819    |
| Salaries and Benefits                    | \$1,654,828    | \$1,528,548    |
| % of Total Expenditures                  | 73.51%         | 73.25%         |
| Purchased Services                       | \$251,716      | \$250,128      |
| % of Total Expenditures                  | 11.18%         | 11.99%         |
| All Other Expenditures                   | \$344,614      | \$308,143      |
| % of Total Expenditures                  | 15.31%         | 14.77%         |
| <b>TOTAL NET POSITION</b>                | \$1,953,743    | \$1,817,836    |
| <b>INVESTMENT IN CAPITAL ASSETS</b>      | \$65,063       | \$39,233       |
| Percentages may not add due to rounding. |                |                |

| <b>REGIONAL SUPERINTENDENT</b>   |
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| During Audit Period: Honorable Monte Newlin<br>Currently: Honorable Monte Newlin |

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **CONTROLS OVER FINANCIAL STATEMENT PREPARATION**

**The Regional Office of Education  
No. 12 did not have sufficient  
internal controls over the  
financial reporting process.**

The Regional Office of Education No. 12 (ROE) is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The ROE'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).

The ROE did not have sufficient internal controls over the financial reporting process in order to record and present the pension information in accordance with these standards. The ROE maintains its accounting records on the cash basis of accounting during the fiscal year and posts year-end accrual and other applicable entries for financial statement purposes. While the ROE maintains controls over the processing of most accounting transactions and prepares its financial statements, 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 financial statement misstatements and disclosure omissions in a timely manner.

Through inquiries and discussions with the ROE's accounting personnel and Regional Superintendent, auditors noted that the ROE did not have adequate controls to record and report the ROE's net accrued pension liabilities/assets, deferred outflows of resources, deferred inflows of resources, and pension expenses in accordance with GAAP.

According to the ROE's management, the complex requirements of GASB Statements No. 68 and No. 71 were new for fiscal year 2015 and will require additional time and training before the ROE can fully implement the requirements on its own. (Finding 2016-001, pages 10-11)

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

The ROE acknowledged the finding for lack of internal controls with financial statement preparation in regards to GASB 68 and GASB 71. Due to the complex requirements of these GASB statements, the ROE was unable to get staff trained on preparation of the required financial statement disclosures. The ROE will attempt to correct this finding going forward.

### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education No. 12's financial statements as of June 30, 2016 are fairly presented in all material respects.

This financial report was conducted by the firm of West and Company, LLC.

**SIGNED ORIGINAL ON FILE**

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AMEEN DADA  
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

FJM:JRB