



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #16
DEKALB COUNTY

FINANCIAL AUDIT
For the Year Ended: June 30, 2020

Release Date: July 14, 2021

FINDINGS THIS AUDIT: 3				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	2019			
Category 1:	0	1	1		20-1		
Category 2:	1	0	1	2019			20-3
Category 3:	<u>0</u>	<u>1</u>	<u>1</u>				
TOTAL	1	2	3				
FINDINGS LAST AUDIT: 2							

SYNOPSIS

- **(20-1)** The Regional Office of Education #16 did not have sufficient internal controls over financial statement preparation.
- **(20-2)** The Regional Office of Education #16 had inadequate controls over the bank reconciliation process.
- **(20-3)** The Regional Office of Education #16 did not provide completed financial statements in an auditable form by the August 31 deadline.

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 #16
DEKALB COUNTY

FINANCIAL AUDIT
For The Year Ended June 30, 2020

	FY 2020	FY 2019
TOTAL REVENUES	\$1,854,260	\$1,573,017
Local Sources	\$488,909	\$327,603
% of Total Revenues	26.37%	20.83%
State Sources	\$1,297,333	\$1,183,813
% of Total Revenues	69.96%	75.26%
Federal Sources	\$68,018	\$61,601
% of Total Revenues	3.67%	3.92%
TOTAL EXPENDITURES	\$1,804,399	\$1,415,555
Salaries and Benefits	\$831,114	\$677,527
% of Total Expenditures	46.06%	47.86%
Purchased Services	\$610,428	\$98,661
% of Total Expenditures	33.83%	6.97%
All Other Expenditures	\$362,857	\$639,367
% of Total Expenditures	20.11%	45.17%
TOTAL NET POSITION	\$370,420	\$320,559
INVESTMENT IN CAPITAL ASSETS	\$0	\$0
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Amanda Christensen Currently: Honorable Amanda Christensen

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #16 did not have sufficient internal controls over financial statement preparation.

The Regional Office of Education #16 (ROE) did not have sufficient internal controls over the preparation of generally accepted accounting principles (GAAP) basis 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 Regional Office is required to maintain a system of controls over the preparation of financial statements in accordance with 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 Illinois State Board of Education's State and Federal Grant Administration Policy, Fiscal Requirements, and Procedures require the ROE to design a good internal control process to provide reasonable assurance regarding reliability and accuracy of reporting for internal and external use. The ROE is required to implement a process to ensure that transactions are properly recorded and accounted for to permit the preparation of accurate and reliable financial statements and reports.

The following issues were noted in the ROE's draft financial statements submitted to the auditors, which were subsequently corrected:

- The ROE improperly reported Evidence Based Funding received totaling \$202,391 as Agency Fund transactions. These funds are available to finance the government's programs and should be excluded from fiduciary fund reporting and reported as General Fund transactions. Accordingly, the Statement of Activities did not properly report the transactions related to this funding received and a material adjustment was required.
- The ROE did not disclose the information required about long-term liabilities.
- The following errors were noted on the originally submitted financial statements and notes to financial statements:

- Unearned revenues totaling \$50,701 were reported as unavailable revenues.
- Due to other government agencies amounting to \$10,379 were reported as unavailable revenues.
- Grant receivables totaling \$13,011 which were not expended were reported with a corresponding amount in unavailable revenues.
- The bank balance amount reported in the notes regarding deposits and investments was \$650,816, but the actual amount should be \$761,425.
- State on-behalf revenues and expenses for post-employment benefits amounting to \$1,692 were included in the governmental fund financial statements.
- State on-behalf revenues and expenses for pensions amounting to \$74,382 were not included in the government-wide financial statements.
- Budget amounts reported in the budgetary schedules did not agree to the appropriate supporting budgets.
- Information on some required supplementary information for pensions and post-employment benefits did not agree to the underlying support.
- A restatement of beginning net position for fiscal year 2020 was reported and disclosed when there was no restatement that occurred.

Regional Office management indicated the ROE's financial statements were prepared by a CPA firm. The funding received was distributed in full to a school district for which the ROE holds other agency funds and the ROE overlooked the proper reporting of this funding as general fund transactions. Other errors noted were due to oversight. (Finding 20-001, pages 11 – 13)

The auditors recommended that as part of 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.

The ROE should also implement procedures to ensure proper analysis of Fund activities are made when transactions are recorded for proper classification and reporting in accordance with GASB Statement No. 34.

Lastly, the auditor's recommended internal review by the ROE be included in its procedures, including use of financial reporting and disclosure checklists as a method to identify and correct errors prior to the submission of financial information to other external parties.

ROE Response: *Communication with the CPA Firm for FY21 will improve in order to clarify requirements.*

INADEQUATE CONTROLS OVER BANK RECONCILIATION PROCESS

The Regional Office of Education #16 had inadequate controls over the bank reconciliation process.

The Regional Office of Education #16 (ROE) maintained 6 bank accounts. During the audit, auditors noted that in 4 bank accounts, monthly reconciliations were not performed timely for 7 out of 12 months. Fifteen of 60 monthly bank reconciliations (25 percent) were reconciled more than a month late.

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 officials indicated that the delay was due to time constraints and prioritization of duties. (Finding 20-002, page 14)

The auditors recommended the ROE should prepare monthly bank reconciliations on a timely basis. This would ensure that the cash balance per ledger is correct and cash transactions are fully accounted for.

ROE Response: *The ROE will prepare monthly bank reconciliations on a timely basis.*

DELAY OF AUDIT

The Regional Office of Education #16 did not provide completed financial statements in an auditable form by the August 31 deadline.

The Regional Office of Education #16 (ROE) did not provide completed financial statements in an auditable form by the August 31st due date. The financial statements were provided on November 17, 2020.

The Regional Office is subject to 105 ILCS 5/2-3.17a which requires the Auditor General's office to cause an audit to be made, as of June 30th each year, of the financial statements of all accounts, funds and other moneys in the care, custody or control of the regional superintendent of schools of each educational service region in the State and of each educational service center established in the School code. The audit is to be

conducted in accordance with Generally Accepted Government Auditing Standards.

In accordance with 105 ILCS 5/2-3.17a, the Auditor General has promulgated administrative rules and regulations to govern this process. Those rules, 74 Ill. Adm. Code 420.320 (c) (2), state that for audit purposes, each regional office of education and educational service center shall make available to the Auditor General or his designee all books and records deemed necessary to make and complete the required audits. The records shall be in auditable form by August 15 of the succeeding fiscal year. Financial reports are to be available no later than August 31 in order for the annual audit to be completed by an independent auditor selected by the Auditor General. Annual financial statements are to be prepared on an accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

In addition, prudent business practices and transparency require timely preparation and completion of financial statements.

Regional Office management indicated the information was provided to the CPA firm by the August deadline, but not in time for them to produce the financial statements. (Finding 20-003, pages 15 – 16)

The auditors recommended the ROE should implement procedures to ensure compliance with 105 ILCS 5/2-3.17a and 74 Ill. Adm. Code 420.320 (c) (2). Annual financial statements should be compiled on an accrual basis of accounting in accordance with GAAP. These financial statements need to be presented to the Auditor General's independent auditors for audit by the August 31 deadline.

ROE Response: *These financial statements will be presented to the Auditor General's independent auditors for audit by August 31 deadline to the best of our ability.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #16's financial statements as of June 30, 2020 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