



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #17**  
**DEWITT, LIVINGSTON, AND MCLEAN COUNTIES**

**FINANCIAL AUDIT**  
**For the Year Ended: June 30, 2015**

**Release Date: March 10, 2016**

FINDINGS THIS AUDIT: 3	AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	Repeated Since 2007
<b>Category 1:</b>	0	1	1	15-1
<b>Category 2:</b>	0	0	0	
<b>Category 3:</b>	2	0	2	
<b>TOTAL</b>	2	1	3	
FINDINGS LAST AUDIT: 3				

**SYNOPSIS**

- **(15-1)** The Regional Office of Education #17 did not have sufficient internal controls over the financial reporting process.
- **(15-2)** The Regional Office of Education #17 did not have adequate support for salaries allocated to restricted fund.
- **(15-3)** The Regional Office of Education #17 did not have sufficient collateralization of bank deposits.

**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 #17**  
**DEWITT, LIVINGSTON, AND MCLEAN COUNTIES**

**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2015**

	<b>FY 2015</b>	<b>FY 2014</b>
<b>TOTAL REVENUES</b>	\$4,340,332	\$4,279,040
Local Sources	\$1,330,234	\$1,398,386
% of Total Revenues	30.65%	32.68%
State Sources	\$2,543,422	\$2,548,549
% of Total Revenues	58.60%	59.56%
Federal Sources	\$466,676	\$332,105
% of Total Revenues	10.75%	7.76%
<b>TOTAL EXPENDITURES</b>	\$4,500,783	\$4,383,281
Salaries and Benefits	\$3,355,685	\$3,392,086
% of Total Expenditures	74.55%	77.39%
Purchased Services	\$702,468	\$611,260
% of Total Expenditures	15.61%	13.95%
All Other Expenditures	\$577,203	\$379,935
% of Total Expenditures	9.83%	8.67%
<b>TOTAL NET POSITION</b>	\$2,505,864 <sup>1</sup>	\$2,983,448
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$445,690	\$475,732
Percentages may not add due to rounding. <sup>1</sup> The FY 2015 beginning net position was restated by (\$317,133) due to a prior period adjustment for new reporting requirements for pensions.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Mark Jontry
Currently: Honorable Mark Jontry

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

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

**The Regional Office of Education #17 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #17 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The Regional Office'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 Regional Office of Education #17 did not have sufficient internal controls over the financial reporting process. While the Regional Office maintains controls 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 financial statement misstatements and disclosure omissions in a timely manner.

During review of the Regional Office's accounting records, auditors noted the Regional Office's financial information required several adjusting entries to present the financial statements in accordance with generally accepted accounting principles.

In addition, the Regional Office did not have adequate controls to record and report its net accrued pension liability/asset, deferred outflows and inflows of resources, and pension expense in accordance with GAAP. Proposed adjusting entries were approved and accepted by the Regional Office's management.

According to Regional Office of Education #17 management, current funding levels were not adequate to hire and/or train accounting personnel in order to comply with these requirements. In addition, 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 attempt to implement the requirements on its own. (Finding 2015-001, pages 11a-11b) **This finding was first reported in 2007.**

The auditors recommended that, as part of its internal control over the preparation of financial statements, including disclosures, the Regional Office of Education #17 should implement a comprehensive preparation and/or review

procedure to ensure the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations.

The Regional Office of Education #17 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office will continue to seek qualified accounting expertise in developing procedures that will satisfy the pronouncements in financial statement preparation. The Regional Office noted that it will also continue to provide training for staff in utilizing the full range of financial technology that exists. (For previous Regional Office response, see Digest Footnote #1.)

#### **INADEQUATE SUPPORT FOR SALARIES ALLOCATED TO RESTRICTED FUND**

**The Regional Office of Education #17 did not have adequate support for salaries allocated to restricted fund.**

According to the Illinois State Board of Education *State and Federal Grant Administration Policy, Fiscal Requirements and Procedures*, for employees who work on multiple activities or cost objectives paid from restricted funds, the allocation of their salaries or wages should be supported by personnel activity reports, time and effort studies, or equivalent documentation.

During testing, auditors noted a lack of documentation to support the salaries allocated to the Bus Driver fund. Lack of documentation for salaries allocated to restricted funds could result in expenditures being paid from such funds that do not support the specific purpose of those funds. (Finding 2015-002, page 11c)

The auditors recommended that the Regional Office of Education #17 should allocate salaries to programs and funds with restricted funding based on personnel activity reports, time and effort studies, or equivalent documentation.

The Regional Office of Education #17 responded that it has completed a time and effort study to support the allocation of salaries from the Bus Driver fund for personnel tasked with Bus Driver training duties.

#### **INSUFFICIENT COLLATERALIZATION OF BANK DEPOSITS**

**The Regional Office of Education #17 did not have sufficient collateralization of bank deposits.**

The Regional Office of Education #17 is permitted to invest in securities as authorized by the Illinois Public Funds Investment Act (30 ILCS 235/1 et. seq.) (Act). The Act gives the authorization for deposits in excess of the federally insured

limit to be covered by pledged collateral held by the financial institutions' trust departments in the Regional Office of Education #17's name. In addition, prudent business practice requires that all cash and investments held by the financial institutions for the Regional Office be adequately covered by depository insurance or collateral.

At June 30, 2015, \$79,973 of the Regional Office of Education #17's \$3,443,370 cash deposited with financial institutions was uncollateralized and uninsured. Uncollateralized and uninsured bank deposits are subject to custodial credit risk, which is the risk that, in the event of bank failure, the Regional Office of Education #17's deposits may not be returned to it. (Finding 2015-003, page 11d)

The auditors recommended that the Regional Office of Education #17 should monitor collateral balances throughout the year to ensure sufficient collateral is held to secure its bank deposits.

The Regional Office of Education #17 responded that it has secured sufficient collateralization of all deposits and has implemented safeguards to maintain sufficient collateralization in the future.

### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #17's financial statements as of June 30, 2015 are fairly presented in all material respects.

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

FJM:KJM

AUDITORS ASSIGNED: Kemper CPA Group LLP 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 of Education #17 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office will continue to seek qualified accounting expertise in developing procedures

that will satisfy the pronouncements in financial statement preparation. The Regional Office noted that it will continue to provide training for staff in utilizing the full range of financial technology that exists.