



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #21**  
**FRANKLIN, JOHNSON, MASSAC, AND WILLIAMSON COUNTIES**

FINANCIAL AUDIT (In accordance with the Uniform  
 Guidance)  
 For the Year Ended: June 30, 2017

Release Date: March 27, 2018

FINDINGS THIS AUDIT: 2	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	2	0	2	No Repeat Findings			
Category 2:	0	0	0				
Category 3:	0	0	0				
<b>TOTAL</b>	<b>2</b>	<b>0</b>	<b>2</b>				
FINDINGS LAST AUDIT: 1							

**SYNOPSIS**

- (17-1) The Regional Office of Education #21 did not have sufficient internal controls over the financial reporting process.
- (17-2) The Regional Office of Education #21 did not have sufficient internal controls over restricted cash.

**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 #21**  
**FRANKLIN, JOHNSON, MASSAC, AND WILLIAMSON COUNTIES**

**FINANCIAL AUDIT**  
**(In Accordance with the Uniform Guidance)**  
**For The Year Ended June 30, 2017**

	<b>FY 2017</b>	<b>FY 2016</b>
<b>TOTAL REVENUES</b>	\$3,971,731	\$3,546,388
Local Sources	\$697,513	\$730,833
% of Total Revenues	17.56%	20.61%
State Sources	\$1,903,257	\$1,513,399
% of Total Revenues	47.92%	42.67%
Federal Sources	\$1,370,961	\$1,302,156
% of Total Revenues	34.52%	36.72%
<b>TOTAL EXPENDITURES</b>	\$4,931,080	\$3,534,453
Salaries and Benefits	\$3,732,624	\$2,322,966
% of Total Expenditures	75.70%	65.72%
Purchased Services	\$496,307	\$579,847
% of Total Expenditures	10.06%	16.41%
All Other Expenditures	\$702,149	\$631,640
% of Total Expenditures	14.24%	17.87%
<b>TOTAL NET POSITION</b>	(\$2,400,715) <sup>1</sup>	\$419,572
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$34,451 <sup>2</sup>	\$16,073
<sup>1</sup> The FY 2017 beginning net position was restated by (\$1,860,938) due to the ROE including a net pension liability that had been excluded in the prior year. <sup>2</sup> The capital assets are not net of related debt.  Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Lorie LeQuatte
Currently: Honorable Lorie LeQuatte

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

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

**The Regional Office of Education #21 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #21 (ROE) did not have sufficient internal controls over the financial reporting process. The ROE maintained its accounting records on cash basis accounting during the fiscal year and posted year-end accrual entries for financial statement purposes. While the ROE maintained controls over the processing of most accounting transactions, including providing information for several reconciling items between the governmental fund financial statements and the statement of net position and statement of activities, there are not sufficient controls over the preparation of generally accepted accounting principles (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.

The Regional Office is required to maintain a system of controls over the preparation of financial statements in accordance with 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).

During review of the financial information prepared by the Regional Office, the following were noted:

- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable/ due from others, accounts payable/ due to others, unavailable revenue, and fund balance. While the ROE did maintain records to indicate the balances of these accounts and fund balance, not all entries were provided to reconcile the ROE's grant and general activity, such as posting receivables and unavailable revenue or posting all prior period audit entries.
- The Regional Office did not have adequate controls over the recognition of capital assets and capital leases. Although the ROE did maintain a list of capital assets and capital leases, the ROE did not provide all entries to accurately recognize these items within the financial statements.

- The Regional Office did not have adequate controls over the recognition of cash. The ROE did not provide entries to recognize undeposited funds held on-hand at June 30, 2017, in the June 30, 2017 cash balance. In addition, correcting audit entries were necessary to eliminate negative cash balances within certain funds.

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 Regional Office management, there was turnover in the accounting department mid-year, and the new accounting staff is still in the processes of obtaining training over applicable GAAP and GASB pronouncements. In addition, the complex requirements of GASB Statements No. 68 and No. 71 will require additional time and training before the new accounting staff can fully implement the requirements on their own. (Finding 17-001, pages 13a – 13c)

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.

**ROE Response:** *As governmental accounting and reporting standards continue to shift rapidly, the Regional Office will monitor and identify trainings in order for our current staff to have the most up-to-date training and be able to accurately prepare the financial information.*

#### **INTERNAL CONTROLS OVER RESTRICTED CASH**

**The Regional Office of Education #21 did not have sufficient internal controls over restricted cash.**

The Regional Office pools most of its cash into one operating bank account. With such an account, funds with deficit cash balances are considered to have borrowed cash from other funds to cover these expenditures. At June 30, 2017, the ROE reported a deficit cash balance in several of its funds. Cash from the following restricted funds was reduced to cover these deficit balances. Loans to other funds are an unauthorized use of restricted fund monies.

Major special revenue funds	
Education Fund	
McKinney Education for Homeless Children	\$ 100
New Principal Mentoring Program	201
State Free Lunch and Breakfast	635
Federal Free Lunch and Breakfast	3,831
Institute Fund	
Institute	62,864
Technology	58,735
Nonmajor special revenue funds	
Bus Driver Permit	6,703
General Education Development	14,650
	<u>\$ 147,719</u>

Illinois statutes (105 ILCS 5/3-12) restrict the use of Institute Fund monies to defray expenses associated with the work of the regional professional development review committees; expenses connected with improving the technology necessary for the efficient processing of licenses; all costs associated with the administration of teaching licenses; expenses incidental to teachers' institutes, workshops or meetings of a professional nature that are designed to promote the professional growth of teachers; or the expense of any general or special meeting of teachers or school personnel approved by the regional superintendent.

Illinois statutes (105 ILCS 5/3-15.12) also restrict the use of General Education Development Fund moneys to be paid into a special fund under the control and supervision of the regional superintendent. Such moneys received by the regional superintendent shall be used, first, for the expenses incurred in administering and scoring the examination. Next, the funds should be used for other educational programs that are developed and designed by the regional superintendent of schools to assist those who successfully complete high school equivalency testing in furthering their academic development or their ability to secure and retain gainful employment, including programs for the competitive award based on test scores of college or adult education scholarship grants or similar educational incentives. Any excess monies should be paid into the Institute Fund.

Pursuant to Section 3-14.23 of the School Code (105 ILCS 5/3-14.23), regional superintendents of schools are responsible for conducting training programs for school bus drivers and to charge a fee based upon the cost of providing such courses. Bus driver permit fees are restricted for the purpose of testing and training bus drivers and to cover the costs of other responsibilities of the regional superintendent associated with school bus driver permits.

In addition, State and federal grant monies should be spent on allowable costs pursuant to the applicable grant agreement requirements and, for federal grants, Uniform Guidance.

According to the Regional Office management, several of the ROE's programs operate on a reimbursement basis, creating a period during which the program has paid expenditures for which it has not received funding. The unrestricted funds available to cover these expenditures were not sufficient to cover the deficit cash balances. (Finding 17-002, Pages 13d – 13e)

The auditors recommended that the Regional Office should initiate procedures to monitor cash and ensure that restricted funds are only expended for their restricted purposes. In addition, the ROE should make transfers from funds with unrestricted cash and/or seek lines of credit to pay expenditures for reimbursable programs that have insufficient cash.

**ROE Response:** *The Regional Office understands the finding. With limited financial resources, the Regional Superintendent will work with the accounting department to closely monitor available funds in each account and ensure that only unrestricted funds are used to cover programs that have insufficient cash when payments are delayed by the State or other funding source.*

### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #21's financial statements as of June 30, 2017 are fairly presented in all material respects.

This financial report was conducted by the firm of Kemper CPA Group LLP.

**SIGNED ORIGINAL ON FILE**

AMEEN DADA  
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:KJM