



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #22
FULTON AND SCHUYLER COUNTIES

FINANCIAL AUDIT
For the Year Ended: June 30, 2015

Release Date: October 27, 2016

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

SYNOPSIS

- (15-1) The Regional Office of Education #22 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 #22
FULTON AND SCHUYLER COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2015

	FY 2015	FY 2014
TOTAL REVENUES	\$887,030	\$890,995
Local Sources	\$242,146	\$206,066
% of Total Revenues	27.30%	23.13%
State Sources	\$614,151	\$659,609
% of Total Revenues	69.24%	74.03%
Federal Sources	\$30,733	\$25,320
% of Total Revenues	3.46%	2.84%
TOTAL EXPENDITURES	\$901,271	\$934,783
Salaries and Benefits	\$728,659	\$749,049
% of Total Expenditures	80.85%	80.13%
Purchased Services	\$98,783	\$152,006
% of Total Expenditures	10.96%	16.26%
All Other Expenditures	\$73,829	\$33,728
% of Total Expenditures	8.19%	3.61%
TOTAL NET POSITION	\$666,794 ¹	\$697,412
INVESTMENT IN CAPITAL ASSETS	\$10,923	\$12,508
¹ The FY 2015 beginning net position was restated by (\$16,377) due to a prior period adjustment for new reporting requirements for pensions. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable David Demler*
*Effective July 1, 2015, ROE #22 was consolidated into ROE #26

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #22 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #22 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office 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 #22 did not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on the cash basis of accounting during the fiscal year and posts year-end accrual entries for financial statement purposes. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of 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 of Education #22's financial information prepared by the Regional Office of Education #22, auditors noted the Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unearned revenue. While the Regional Office did maintain records to indicate the balances of accounts receivable, accounts payable, and unearned revenue, no entries were provided to reconcile the Regional Office of Education #22's grant activity, such as posting grant receivables. In addition, the Regional Office did not have adequate controls to record and report the Regional Office's net accrued pension liabilities/assets, deferred outflows of resources, deferred inflows of resources, and pension expense in accordance with GAAP. Finally, cash receipts and disbursements that occurred after June 30, 2015 were posted in the accounting software as cash transactions at June 30, 2015 instead of appropriately recording the transactions as accounts receivable or accounts payable at June 30, 2015. Proposed adjusting entries by auditors were approved and accepted by Regional Office management.

According to Regional Office officials, they did not have adequate funding to hire and/or train their 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 Regional Office can fully implement the requirements on its own. (Finding 2015-001, pages 11a-11c) **This finding was first reported in 2007.**

The auditors recommended that since the Regional Office of Education #22 has been dissolved and its counties were merged into the Regional Office of Education #26, ROE #26 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(s) possessing a thorough understanding of applicable GAAP, GASB pronouncements, and knowledge of the Regional Office's activities and operations.

The Regional Office of Education #26 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 noted that it accepts the degree of risk associated with this condition because the added expense of seeking additional accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region. (For previous Regional Office response, see Digest Footnote #1 located at the end of the digest.)

AUDITORS' OPINION

Our auditors state the Regional Office of Education #22's financial statements as of June 30, 2015 are fairly presented in all material respects.

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 #22 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 noted that it accepts the degree of risk associated with this condition because the added expense of seeking additional accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region.