



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #26**  
**FULTON, HANCOCK, MCDONOUGH, AND SCHUYLER COUNTIES**

**FINANCIAL AUDIT**  
**For the Year Ended: June 30, 2019**

**Release Date: August 27, 2020**

FINDINGS THIS AUDIT: 3				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
<b>Category 1:</b>	<u>New</u> 0	<u>Repeat</u> 2	<u>Total</u> 2	2018			19-1
<b>Category 2:</b>	0	0	0	2012	19-2		
<b>Category 3:</b>	0	1	1	2015	19-3		
<b>TOTAL</b>	0	3	3				
<b>FINDINGS LAST AUDIT: 5</b>							

**SYNOPSIS**

- **(19-1)** The Regional Office of Education #26 did not provide completed financial statements in an auditable form by the August 31 deadline.
- **(19-2)** The Regional Office of Education #26 had inadequate internal control procedures.
- **(19-3)** The Regional Office of Education #26 had inadequate internal controls over inventory.

**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 #26**  
**FULTON, HANCOCK, MCDONOUGH, AND SCHUYLER COUNTIES**

**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2019**

	<b>FY 2019</b>	<b>FY 2018</b>
<b>TOTAL REVENUES</b>	\$4,413,344	\$4,249,647
Local Sources	\$1,138,571	\$1,185,208
% of Total Revenues	25.80%	27.89%
State Sources	\$2,994,097	\$2,814,863
% of Total Revenues	67.84%	66.24%
Federal Sources	\$280,676	\$249,576
% of Total Revenues	6.36%	5.87%
<b>TOTAL EXPENDITURES</b>	\$4,760,508	\$4,354,550
Salaries and Benefits	\$3,046,362	\$2,634,433
% of Total Expenditures	63.99%	60.50%
Purchased Services	\$723,523	\$685,008
% of Total Expenditures	15.20%	15.73%
All Other Expenditures	\$990,623	\$1,035,109
% of Total Expenditures	20.81%	23.77%
<b>TOTAL NET POSITION</b>	\$(386,591)	\$(39,427)
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$141,476	\$58,012
Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable John Meixner Currently: Honorable John Meixner

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **DELAY OF AUDIT**

**The Regional Office of Education #26 did not provide completed financial statements in an auditable form by the August 31 deadline.**

The Regional Office of Education #26 (ROE) did not provide completed financial statements in an auditable form by the August 31<sup>st</sup> deadline. The completed financial statements were provided only on December 14, 2019.

The ROE 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 30<sup>th</sup> of 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 (GAGAS).

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.

The ROE officials indicated competing priorities resulted in them providing the supporting reports after August 31<sup>st</sup> to the accounting firm they contracted with in order to prepare the financial statements and notes. (Finding 19-001, pages 12 – 13)

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 and should include all the required disclosures. These financial statements need to be presented to the Auditor General's independent auditors for audit by the August 31<sup>st</sup> deadline.

**ROE Response:** *The ROE will implement procedures to ensure compliance with 105 ILCS 5/2-3.17a and 74 Ill Adm. Code 420.320 (c) (2). Annual financial statements will be compiled on an accrual basis of accounting in accordance with GAAP and will include all the required disclosures. These financial statements will be presented to the Auditor General's independent auditors for audit in a timely manner to the best of our ability.*

## **INADEQUATE INTERNAL CONTROL PROCEDURES**

### **The Regional Office of Education #26 had inadequate internal control procedures.**

The Regional Office of Education #26 (ROE) did not establish adequate internal controls concerning back reconciliations or maintaining accurate fixed asset records. Bank reconciliations were not performed timely and property and equipment records were not always complete.

The Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system over accounting transactions to prevent errors and fraud. 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 accordingly. Bank reconciliations should also be reviewed and approved by a person independent of the preparer in a timely manner.

The ROE Accounting Manual states that detailed fixed asset records should be kept both for accounting purposes as well as insurance purposes. In addition, generally accepted accounting principles (GAAP) requires that an inventory of all capital assets be maintained. Fixed asset records are a necessary part of the ROE accounting system, and they should be as carefully maintained as any other records.

The ROE Accounting Manual also states that all fixed assets should be tagged in some fashion with an inventory control number that is assigned to that asset in the fixed asset inventory records.

The State and Federal Grant Administration Policy and Fiscal Requirements and Procedures issued by the Illinois State Board of Education dictates procedures for managing equipment acquired with State and/or federal funds. These include procedures to ensure, among others that (1) adequate records are maintained for all equipment, and (2) dispositions are recorded in the fixed assets inventory records.

Auditors noted the following weaknesses in the Regional Office of Education #26's (ROE) internal control system for which there were no mitigating controls:

- The ROE maintains 6 bank accounts. During the audit, it was noted that in each bank account, monthly

reconciliations were not performed timely for 2 to 5 months. Twenty of 72 (28%) monthly bank reconciliations were performed more than a month late.

- The ROE did not have adequate controls over the maintenance of complete records of capital assets. The ROE had a capital assets schedule; however, it did not include all the important information including the location, serial numbers and tag numbers. The auditors noted the process of tagging assets was not consistent and not all items were being tagged. Auditors also noted there were no procedures in place or formal forms being utilized for equipment transfers and disposals. There was no monitoring of computers issued to employees that could be in various locations and personally assigned laptops that could have confidential information.

Regional Office officials indicated competing priorities resulted in these untimely bank reconciliations. Regional Office officials also indicated they do not have enough resources to perform a full physical inventory of assets. In addition, the ROE has not established or documented sufficient internal control procedures over capital assets. (Finding 19-002, pages 14 – 16) **This finding was first reported in 2012.**

The auditors recommended the ROE should prepare monthly bank reconciliations on a timely basis. This would ensure that the cash balance per ledger is accurate and cash transactions are fully accounted for. Additionally, the ROE should establish and document internal control procedures to ensure its capital assets schedule is maintained in accordance with GAAP and the ROE Accounting Manual. The capital assets schedule should be reconciled to the general ledger capital assets and capital outlay accounts. The auditors also recommended the ROE should evaluate data maintained on computers and ensure those containing confidential information are adequately protected with methods such as encryption.

**ROE Response:** *The Regional Office will prepare monthly bank reconciliations on a timely basis. The Regional Office will establish and document internal control procedures to ensure its capital asset schedule is maintained in accordance with GAAP and the ROE Accounting Manual. The capital asset schedule will be reconciled to the general ledger capital asset and capital outlay accounts. The Regional Office will also evaluate data maintained on computers and ensure those containing confidential information are adequately protected with methods such as encryption.*

## **INADEQUATE INTERNAL CONTROLS OVER INVENTORY**

### **The Regional Office of Education #26 had inadequate internal controls over inventory.**

The Regional Office of Education #26 (ROE) was not able to provide auditors with documentation to support the provided inventory value of the Western Area Purchasing Co-op. In addition, the inventory value recorded in the ROE's general ledger was not adjusted to the year-end value.

The Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system over accounting transactions, including inventory, to prevent errors and fraud.

Regional Office officials indicated the Western Area Purchasing Co-op does not perform a physical inventory count at year end; rather, they perform a physical count after most inventory has been delivered to Co-op members and calculate the year-end inventory value from supporting documents, such as vendor invoices, shipping manifests, and receipts of delivery to Co-op members. These documents did not support the inventory value reported by the Co-op. (Finding 19-003, page 17) **This finding was first reported in 2015.**

The auditors recommended the Western Area Purchasing Co-op staff should perform a physical inventory count on or near the fiscal year end or should maintain adequate documentation to support the calculated year-end value. The accurate inventory value should be recorded in the ROE's general ledger.

**ROE Response:** *The Regional Office and the Western Area Purchasing Co-op staff accept the risk involved with this finding as there is inadequate staff and resources to perform physical inventory on the current timeline. The physical inventory mandate coupled with the required timeline would disrupt operation immensely. An inventory system is cost prohibitive.*

### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #26's financial statements, except for the Business-Type Activities and the Western Area Purchasing Co-op, as of June 30, 2019 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**

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FRANK J. MAUTINO  
Auditor General

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