



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #28**  
**BUREAU/HENRY/STARK COUNTIES**

FINANCIAL AUDIT (In Accordance with the Uniform  
 Guidance)  
 For the Year Ended: June 30, 2016

Release Date: November 29, 2017

| FINDINGS THIS AUDIT: 2        |                 |                    |                   | AGING SCHEDULE OF REPEATED FINDINGS |            |            |            |
|-------------------------------|-----------------|--------------------|-------------------|-------------------------------------|------------|------------|------------|
|                               |                 |                    |                   | Repeated Since                      | Category 1 | Category 2 | Category 3 |
| <b>Category 1:</b>            | <u>New</u><br>0 | <u>Repeat</u><br>2 | <u>Total</u><br>2 | 2007                                | 16-1       |            |            |
| <b>Category 2:</b>            | 0               | 0                  | 0                 | 2015                                | 16-2       |            |            |
| <b>Category 3:</b>            | 0               | 0                  | 0                 |                                     |            |            |            |
| <b>TOTAL</b>                  | 0               | 2                  | 2                 |                                     |            |            |            |
| <b>FINDINGS LAST AUDIT: 5</b> |                 |                    |                   |                                     |            |            |            |

**SYNOPSIS**

- **(16-1)** The Regional Office of Education #28 did not have sufficient internal controls over the financial reporting process.
- **(16-2)** The Regional Office of Education #28 did not have sufficient internal controls over fund accounting.

**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 #28**  
**BUREAU/HENRY/STARK COUNTIES**

**FINANCIAL AUDIT**  
**(In Accordance with the Uniform Guidance)**  
**For The Year Ended June 30, 2016**

|  | <b>FY 2016</b> | <b>FY 2015</b> |
|--|----------------|----------------|
| <b>TOTAL REVENUES</b>                    | \$4,415,860    | \$3,304,667    |
| Local Sources                            | \$841,999      | \$238,088      |
| % of Total Revenues                      | 19.07%         | 7.20%          |
| State Sources                            | \$982,710      | \$1,265,669    |
| % of Total Revenues                      | 22.25%         | 38.30%         |
| Federal Sources                          | \$2,591,151    | \$1,800,910    |
| % of Total Revenues                      | 58.68%         | 54.50%         |
| <b>TOTAL EXPENDITURES</b>                | \$4,293,096    | \$3,249,196    |
| Salaries and Benefits                    | \$1,907,277    | \$1,562,523    |
| % of Total Expenditures                  | 44.43%         | 48.09%         |
| Purchased Services                       | \$906,842      | \$486,382      |
| % of Total Expenditures                  | 21.12%         | 14.97%         |
| All Other Expenditures                   | \$1,478,977    | \$1,200,291    |
| % of Total Expenditures                  | 34.45%         | 36.94%         |
| <b>TOTAL NET POSITION</b>                | \$1,626,422    | \$1,503,658    |
| <b>INVESTMENT IN CAPITAL ASSETS</b>      | \$22,919       | \$31,475       |
| Percentages may not add due to rounding. |                |                |

| <b>REGIONAL SUPERINTENDENT</b>   |
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| During Audit Period: Honorable Angela Zarvell<br>Currently: Honorable Angela Zarvell |

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

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

**The Regional Office of Education #28 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #28 (ROE) did not have sufficient internal controls over the financial reporting process. While the ROE maintains controls over the processing of most accounting transactions, there are 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 and correct financial statement misstatements and disclosure omissions in a timely manner.

The ROE 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, skill, and experience to prepare and/or thoroughly review GAAP based financial statements to ensure they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

During review of the ROE's financial information prepared by the Regional Office, it was noted the ROE did not have adequate controls over the maintenance of records of due from other governments, accounts payable, due to other governments, unearned revenue, and unavailable revenue. While the ROE did maintain records to indicate the balances of these accounts, material audit adjustments, including those required under GASB Statements No. 34, No. 68, and No. 71, were proposed in order to ensure those balances were accurate.

According to ROE officials, management did not effectively detect all of the material adjustments, including those required under GASB Statements No. 34, No. 68, and No. 71, needed in order to present financial statements in accordance with GAAP. (Finding 16-001, pages 13-14) **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 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the ROE's activities and operations.

**ROE Response:** *Regional Office of Education #28 understands the nature of this finding and realizes that this circumstance is not unusual in an organization this size. Regional Office of Education #28 accepts the degree of risk associated with this condition because the added expense of seeking additional expertise to prepare financial statements would take away from the funds available to provide educational services to students and teachers. The cost of hiring and training additional staff or contracting services outweighs the benefit.*

**Prior Year ROE Response:** *Regional Office of Education #28 understands the nature of this finding and realizes that this circumstance is not unusual in an organization this size. Regional Office of Education #28 accepts the degree of risk associated with this condition because the added expense of seeking additional expertise to prepare financial statements would take away from the funds available to provide educational services to students and teachers. The cost of hiring and training additional staff or contracting services outweighs the benefit.*

## **CONTROLS OVER FUND ACCOUNTING**

### **The Regional Office of Education #28 did not have sufficient internal controls over fund accounting.**

The Regional Office of Education #28 (ROE) did not ensure all individual funds were self-balanced and opening fund balance amounts agreed to the prior period closing fund balance amounts.

The ROE is required by the Illinois State Board of Education to maintain its accounting system in accordance with the *Regional Office of Education Accounting Manual* (Manual). The Manual requires the ROE to maintain an accounting system on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

According to ROE officials, the ROE recently purchased a new accounting software package which provides the reporting features required for proper fund accounting. The ROE is still in the process of transitioning to the new software and is making adjustments with the assistance of the software vendors as deficiencies are noted. (Finding 16-002, pages 15-16)

The auditors recommended the ROE should assign a member of management with suitable skills, knowledge, and experience to review its trial balance reports at regular intervals throughout the year. The ROE should also ensure individual funds are self-balanced and opening fund balance amounts agree to the prior period closing fund balance amounts.

**ROE Response:** *The Regional Office of Education #28 acquired accounting software that will produce trial balances. The transition continues in order to meet the specific needs of the ROE. Most recently, the system has been programmed to designate revenues and expenditures to the proper cash, liability, revenue, and fund balance accounts.*

#### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #28's financial statements as of June 30, 2016 are fairly presented in all material respects.

This financial report was conducted by the firm of Winkel, Parker, & Foster, CPA PC.

**SIGNED ORIGINAL ON FILE**

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AMEEN DADA  
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

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FRANK J. MAUTINO  
Auditor General

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