



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #28
BUREAU, HENRY AND STARK COUNTIES

FINANCIAL AUDIT (In Accordance with the
 Uniform Guidance)
 For the Year Ended: June 30, 2020

Release Date: April 14, 2021

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

SYNOPSIS

- (20-1) The Regional Office of Education #28 lacked adequate controls over the review of internal controls over external service providers.

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 #28
BUREAU, HENRY AND STARK COUNTIES

FINANCIAL AUDIT
(In Accordance with the Uniform Guidance)
For The Year Ended June 30, 2020

	FY 2020	FY 2019
TOTAL REVENUES	\$3,939,850	\$4,007,177
Local Sources	\$420,148	\$444,018
% of Total Revenues	10.66%	11.08%
State Sources	\$1,134,149	\$1,188,210
% of Total Revenues	28.79%	29.65%
Federal Sources	\$2,385,553	\$2,374,949
% of Total Revenues	60.55%	59.27%
TOTAL EXPENDITURES	\$3,894,633	\$4,012,558
Salaries and Benefits	\$2,534,942	\$2,588,959
% of Total Expenditures	65.09%	64.52%
Purchased Services	\$304,749	\$325,509
% of Total Expenditures	7.82%	8.11%
All Other Expenditures	\$1,054,942	\$1,098,090
% of Total Expenditures	27.09%	27.37%
TOTAL NET POSITION	\$1,232,848	\$1,187,631
INVESTMENT IN CAPITAL ASSETS	\$36,720	\$52,808
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Angela Zarvell
Currently: Honorable Angela Zarvell

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

LACK OF ADEQUATE CONTROLS OVER THE REVIEW OF INTERNAL CONTROLS OVER EXTERNAL SERVICE PROVIDERS

The Regional Office of Education #28 lacked adequate controls over the review of internal controls over external service providers.

The Regional Office of Education #28 (ROE) failed to develop a formal process for reviewing its external service providers' internal controls to ensure the accurate processing and security of information. As part of the audit process, auditors requested the ROE to provide a population of the service providers utilized. The ROE was able to identify service providers that provided hosting and backup services for the ROE.

The ROE is responsible for the design, implementation, and maintenance of internal controls, including controls that are outsourced to service providers, related to information systems and operations to ensure resources and data are adequately protected from unauthorized or accidental disclosure, modifications, or destruction.

Generally accepted information technology guidance endorses the review and assessment of internal controls related to information systems and operations to assure the accurate processing and security of information.

During testing, the auditors noted the ROE had not:

- Developed a formal process for identifying service providers and obtaining the Service Organization Controls (SOC) reports from the service providers on an annual basis.
- Documented its review of the SOC reports.
- Monitored and documented the operation of the Complementary User Entity Controls (CUECs) relevant to the ROE's operations.
- Obtained and reviewed SOC reports for subservice organizations or performed alternative procedures to determine the impact on its internal control environment.

Regional Office officials indicated they understand the importance of a formal process to monitor service providers; however, they have not completed a policy to address the issues due to other priorities. (Finding 20-001, pages 14 – 15)

The auditors recommended the ROE identify all third-party service providers and determine and document if a review of controls is required. If required, the ROE should:

- Obtain SOC reports or perform independent reviews of internal controls associated with outsourced systems at least annually.

- Monitor and document the operation of the CUECs relevant to the ROE's operations.
- Either obtain and review SOC reports for subservice organizations or perform alternative procedures to satisfy itself that the existence of the subservice organization would not impact its internal control environment.
- Document its review of the SOC reports and review all significant issues with subservice organizations to ascertain if a corrective action plan exists and when it will be implemented, any impacts to the ROE, and any compensating controls.
- Review contracts with service providers to ensure applicable requirements over the independent review of internal controls are included.

ROE Response: *Third party service providers with access to the confidential data of ROE #28 will have their internal controls reviewed prior to entering into a purchasing contract. An SOC audit is the preferred documentation of appropriate internal controls. In the event an SOC audit is not available from a third-party service provider, optional documentation covering the depth and breadth of an SOC audit may be considered. Contracts with third party service providers will be at the discretion of the Regional Superintendent.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #28's financial statements as of June 30, 2020 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

FRANK J. MAUTINO
Auditor General

FJM:RSH