



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #33**  
**HENDERSON, KNOX, MERCER, AND WARREN COUNTIES**

FINANCIAL AUDIT  
 For the Year Ended: June 30, 2017

Release Date: May 30, 2018

FINDINGS THIS AUDIT: 2	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	2	2	2007	17-1		
Category 2:	0	0	0	2016	17-2		
Category 3:	0	0	0				
TOTAL	0	2	2				
FINDINGS LAST AUDIT: 2							

**SYNOPSIS**

- (17-1) The Regional Office of Education #33 did not have sufficient internal controls over the financial reporting process.
- (17-2) The Regional Office of Education #33 did not have adequate internal control procedures.

**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 #33**  
**HENDERSON, KNOX, MERCER, AND WARREN COUNTIES**

**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2017**

	<b>FY 2017</b>	<b>FY 2016</b>
<b>TOTAL REVENUES</b>	\$3,888,755	\$2,743,805
Local Sources	\$633,051	\$572,335
% of Total Revenues	16.28%	20.86%
State Sources	\$2,747,998	\$1,607,182
% of Total Revenues	70.67%	58.57%
Federal Sources	\$507,706	\$564,288
% of Total Revenues	13.06%	20.57%
<b>TOTAL EXPENDITURES</b>	\$3,450,526	\$2,563,845
Salaries and Benefits	\$2,387,537	\$1,753,010
% of Total Expenditures	69.19%	68.37%
Purchased Services	\$387,242	\$365,297
% of Total Expenditures	11.22%	14.25%
All Other Expenditures	\$675,747	\$445,538
% of Total Expenditures	19.58%	17.38%
<b>TOTAL NET POSITION</b>	\$1,507,841 <sup>1</sup>	\$1,068,257
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$40,876	\$17,725
<sup>1</sup> The FY 2017 beginning net position was restated by \$1,355 due to the omission of a grant received in the prior year.  Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Jodi Scott
Currently: Honorable Jodi Scott

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

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

**The Regional Office of Education #33 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #33 (ROE) did not have sufficient internal controls over the financial reporting process. While the Regional Office maintains controls over the processing of most accounting transactions, there were not sufficient controls over the preparation of the 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. For example, during review of the ROE's accounting records, auditors noted the ROE's financial information required several adjusting entries to present the financial statements in accordance with GAAP.

In addition, the Regional Office did not have adequate controls to record and report its net accrued pension liability/asset, deferred outflows and inflows of resources, and pension expense in accordance with GAAP. Proposed adjusting entries were approved and accepted by the ROE's management.

The ROE is required to maintain a system of controls over the preparation of financial statements in accordance with GAAP. These internal controls 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).

According to the ROE management, current funding levels are not adequate to hire and/or train accounting personnel in order to comply with these requirements. The complex requirements of GASB Statements No. 68 and No. 71 will require additional time and training before the ROE can fully implement the requirements on its own. (Finding 2017-001, pages 11a – 11b)  
**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 ROE should implement a comprehensive preparation and/or review procedure to ensure the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable GAAP, GASB pronouncements, and knowledge of the ROE's activities and operations.

**ROE Response:** *The ROE understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office management is confident with the accounting staff and the preparation of financial information. When fiscally possible, additional training or hiring of additional staff will be pursued.*

**Prior Year ROE Response:** *The ROE understands the nature of this finding and realizes this circumstance is not unusual in an organization of this size. The Regional Office management is confident with the accounting staff and the preparation of financial information. When fiscally possible, additional training or hiring of additional staff will be pursued.*

### **INADEQUATE INTERNAL CONTROL PROCEDURES**

**The Regional Office of Education #33 did not have adequate internal control procedures.**

The Regional Office of Education #33 did not have adequate internal control procedures. Auditors noted the following weaknesses in the ROE's internal control system for which there were no mitigating controls:

- Several restricted Education Funds are carrying fund balances for excess grant funding from previous fiscal years.
- There was no documented evidence of independent review of 12 of 15 journal entries tested, completed bank reconciliations, or cash receipts to deposit slips which are then compared to the general ledger. Also, there was no supporting documentation for the journal entries.
- The Early Childhood Block Grant's first quarter expenditure report was filed thirteen days late.
- The Regional Safe Schools Cooperative expenditure report was submitted based on budgeted amounts instead of the actual amounts from the general ledger.
- Employee census data in the Illinois Municipal Retirement Fund (IMRF) system did not agree to the documents in the employee's file in seven instances. In addition, one employee was enrolled in IMRF prior to meeting eligibility requirements.
- The Regional Office incurred a late fee and interest charges on one credit card statement in the amount of \$39, and \$147, respectively.

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

According to Regional Office officials, the ROE has not established or documented sufficient internal control procedures. (Finding 2017-002, pages 11c – 11e)

The auditors recommended the ROE establish and maintain proper internal controls to eliminate the weaknesses specified in the finding.

**ROE Response:** *The ROE agrees with the auditor's recommendations. In addition, the ROE has already corrected many of the internal control issues noted and continues to work on improving controls over our financial processes.*

### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #33's financial statements as of June 30, 2017 are fairly presented in all material respects.

This financial audit 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:JMM