



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #43**  
**MARSHALL/PUTNAM/WOODFORD COUNTIES**

**FINANCIAL AUDIT**  
**For the Year Ended: June 30, 2015**

**Release Date: May 12, 2016**

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>	2007	15-1		
<b>Category 1:</b>	<b>0</b>	<b>1</b>	<b>1</b>				
<b>Category 2:</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>Category 3:</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>TOTAL</b>	<b>0</b>	<b>1</b>	<b>1</b>				
<b>FINDINGS LAST AUDIT: 1</b>							

**SYNOPSIS**

- **(15-1)** The Regional Office of Education #43 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 #43**  
**MARSHALL/PUTNAM/WOODFORD COUNTIES**

**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2015**

	<b>FY 2015</b>	<b>FY 2014</b>
<b>TOTAL REVENUES</b>	\$727,258	\$761,024
Local Sources	\$138,418	\$119,958
% of Total Revenues	19.03%	15.76%
State Sources	\$527,036	\$575,132
% of Total Revenues	72.47%	75.57%
Federal Sources	\$61,804	\$65,934
% of Total Revenues	8.50%	8.66%
<b>TOTAL EXPENDITURES</b>	\$710,891	\$805,678
Salaries and Benefits	\$531,703	\$645,490
% of Total Expenditures	74.79%	80.12%
Purchased Services	\$114,449	\$112,775
% of Total Expenditures	16.10%	14.00%
All Other Expenditures	\$64,739	\$47,413
% of Total Expenditures	9.11%	5.88%
<b>TOTAL NET POSITION</b>	\$362,227 <sup>1</sup>	\$362,957
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$0	\$0
<sup>1</sup> The FY 2015 beginning net position was restated by (\$17,097) due to a prior period adjustment for new reporting requirements for pensions.  Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Kathryn Marshall*
*Effective July 1, 2015 ROE #43 was consolidated into ROEs #35 and #53.

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

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

**The Regional Office of Education #43 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #43 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The Regional Office's 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 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. 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's financial information prepared by the Regional Office, auditors noted there were not adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unearned revenue. While the Regional Office is capable of maintaining records to indicate the balances of accounts receivable, accounts payable, and unearned revenue, entries were not provided to reconcile the Regional Office of Education #43's grant activity, such as posting grant receivables. Also, lists of accounts receivable, accounts payable, and unearned revenue balances as of June 30, 2015, were not prepared as they have been in previous years.

Through inquires and discussions with the Regional Office's accounting personnel and Regional Superintendent, auditors noted 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 expenses in accordance with GAAP.

According to the Regional Office of Education #43 management, they did not have adequate funding to hire and/or train the accounting personnel in order to maintain a system of internal controls over the preparation of financial statements in accordance with GAAP. In addition, there was not sufficient information to prepare listings of accounts receivable, accounts payable, and unearned revenue balances or to adjust the accounts.

Furthermore, according to the Regional Office, the complex requirements of GASB Statements No. 68 and 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 11-13) **This finding was first reported in 2007.**

The auditors recommended that since the Regional Office of Education #43 has been dissolved and its counties are being merged into other Regional Offices of Education, Regional Offices of Education #35 and #53 should implement comprehensive preparation procedures to ensure the financial statements are complete and accurate. These procedures should be performed by a properly trained individual(s) possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations.

The Regional Office of Education #53 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. Management will review year end reporting controls annually and determine the necessity of employing the services of a Certified Public Accounting firm.

The Regional Office of Education #35 responded that it agrees with the finding. The Regional Office's bookkeeper has made numerous inquiries of the auditors and the auditors have worked with the bookkeeper in order for her to more fully understand the intricacies of GASB Statements and the impact on the Regional Office's financial statements. In addition, this bookkeeper will be provided additional training and support as necessary for applying the requirements of GASB Statements in future years. (For previous Regional Office response, see Digest Footnote #1 at the end of the digest.)

## **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #43's financial statements as of June 30, 2015 are fairly presented in all material respects.

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO

Auditor General

FJM:JRB

AUDITORS ASSIGNED: Sulaski & Webb, CPAs 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 #43 responded that while it understands the nature of this finding, the office unfortunately does not have sufficient funds for hiring a person who has the knowledge and understanding of generally accepted accounting principles (GAAP) and GASB pronouncements that are needed to produce financial statements with disclosures, and possesses a thorough understanding of the ROE's operations and activities. The Regional Office stated that as it stands, it accepts the degree of risk associated with this condition as this circumstance is very common in organizations that are similar in size. The Regional Office noted that in an attempt to improve this situation, the ROE will make a point to send the bookkeeper to any State trainings that could help her better understand accrual basis accounting and reporting under GAAP.