



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #51**  
**SANGAMON COUNTY**

FINANCIAL AUDIT (In Accordance with the Single Audit Act and OMB Circular A-133) Release Date: December 1, 2016  
 For the Year Ended: June 30, 2015

FINDINGS THIS AUDIT: 4				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
<b>Category 1:</b>	<u>New</u> 2	<u>Repeat</u> 1	<u>Total</u> 3	2007	15-1		
<b>Category 2:</b>	0	1	1	2014		15-4	
<b>Category 3:</b>	0	0	0				
<b>TOTAL</b>	2	2	4				
FINDINGS LAST AUDIT: 3							

**SYNOPSIS**

- (15-1) The Regional Office of Education #51 did not have sufficient internal controls over the financial reporting process.
- (15-2) The Regional Office of Education #51's financial records were out of balance.
- (15-3) The Regional Office of Education #51 did not have adequate internal control procedures over grant requirements.
- (15-4) The Regional Office of Education #51 did not have adequate internal controls over compliance requirements.

**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 #51**  
**SANGAMON COUNTY**

**FINANCIAL AUDIT**  
**(In Accordance with the Single Audit Act and OMB Circular A-133)**  
**For The Year Ended June 30, 2015**

	<b>FY 2015</b>	<b>FY 2014</b>
<b>TOTAL REVENUES</b>	\$5,281,257	\$4,962,059
Local Sources	\$2,789,372	\$2,426,138
% of Total Revenues	52.82%	48.89%
State Sources	\$1,739,093	\$1,998,194
% of Total Revenues	32.93%	40.27%
Federal Sources	\$752,792	\$537,727
% of Total Revenues	14.25%	10.84%
<b>TOTAL EXPENDITURES</b>	\$5,989,841	\$5,067,003
Salaries and Benefits	\$4,786,335	\$3,437,567
% of Total Expenditures	79.91%	67.84%
Purchased Services	\$710,877	\$867,551
% of Total Expenditures	11.87%	17.12%
All Other Expenditures	\$492,629	\$761,885
% of Total Expenditures	8.22%	15.04%
<b>TOTAL NET POSITION</b>	\$517,071 <sup>1</sup>	\$1,036,806
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$19,780	\$10,254
<sup>1</sup> The FY2015 beginning net position was restated by \$188,849 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 Jeff Vose Currently: Honorable Jeff Vose

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

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

**The Regional Office of Education #51 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #51 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 of Education #51 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 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 financial statement misstatements and disclosure omissions in a timely manner. For example, during review of the Regional Office's accounting records, auditors noted the Regional Office's financial information required several adjusting entries to present the financial statements in accordance with generally accepted accounting principles.

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 Regional Office's management.

Auditors, in their review of the Regional Office of Education #51's financial information prepared by the Regional Office, noted the following:

- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, unearned revenue, or capital outlay. While the Regional Office did maintain records to indicate the balances of accounts receivable, accounts payable, and capital outlay, not all entries were provided to reconcile the Regional Office of Education #51's grant activity, such as posting grant receivables and unearned revenue.

- The Regional Office's financial information required numerous adjusting entries to present the financial statements in accordance with generally accepted accounting principles.
- Transactions that should have been recorded as interfund transfers were instead recorded as local revenue in the fund receiving the funds and as expenditures in the fund disbursing the funds.

According to Regional Office of Education #51 management, current funding levels are not adequate to hire and/or train accounting personnel in order to comply with these requirements. In addition, the complex requirements of GASB Statements No. 68 and No. 71 were new for fiscal year 2015 and will require additional time and training before the Regional Office can attempt to implement the requirements on its own. (Finding 2015-001, pages 14a-14c) **This finding was first reported in 2007.**

The auditors had the following recommendations for the Regional Office:

- As part of internal control over the preparation of financial statements, the Regional Office should implement comprehensive preparation procedures to ensure that the financial statements are complete and accurate. These procedures should be performed by a properly trained individual 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 should develop procedures to ensure that all necessary adjustments have been recorded in its accounting system to ensure the financial statements are presented in accordance with generally accepted accounting principles.
- The Regional Office should account for all interfund transfers as a transfer in for the fund that receives the money and a transfer out for the fund that disburses the money. If an actual transfer of cash is not involved, revenues and expenditures should be recorded in the fund that received the funding and incurred the cost, respectively.

The Regional Office of Education #51 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office of Education staff has a reasonable understanding of the financial statements and can determine that the information in the financial statements is accurate; however, they lack the ability to prepare the notes to the financial statements. The recommendation that "such procedures should be performed by a properly trained

individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations," has been noted by the Regional Office. The ROE stated that they will continue to work with the other Regional Offices of Education to determine the most effective method of ensuring that employees possess the knowledge required to compile the necessary GAAP based financial statements. The ROE stated that it accepts the auditors' recommendations and has revised policies, procedures and/or practices to address the finding noted. (For previous Regional Office response, see Digest Footnote #1, located at the end of the digest.)

### **FINANCIAL RECORDS**

#### **The Regional Office of Education #51's financial records were out of balance.**

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

The Regional Office initially presented auditors with a trial balance that was out of balance by \$505,829. After adjustments were made in the accounting software by the Regional Office's software support, the second trial balance presented to auditors was still out of balance by \$17,396.

According to Regional Office of Education #51 personnel, software issues concerning year-end closing entries caused the trial balances to be out of balance. (Finding 2014-002, page 14d)

The auditors recommended that the Regional Office should develop internal control procedures to ensure financial records are accurate after conducting accounting software maintenance and prior to performing year-end closing procedures.

The Regional Office of Education #51 responded that it accepts the auditors' recommendations and will implement policies and procedures to ensure that trial balances are in balance at yearend.

### **INADEQUATE INTERNAL CONTROL PROCEDURES**

#### **The Regional Office of Education #51 did not have adequate internal control procedures.**

The Regional Office must comply with grant accounting and reporting requirements established by grant agreements with the Illinois State Board of Education (ISBE) and other grantors, by ISBE's fiscal policies and procedures for grantees, and by statute. Among these requirements are timely submission of grant reports; accurate, current, and complete disclosure of grant financial activity; and returning any unexpended grant funding to ISBE within 45 days of the end of the grant period (Illinois Grant Funds Recovery Act, 30 ILCS 705/4).

During review of the Regional Office's financial information prepared by the Regional Office, the following was noted:

- As of January 8, 2016, the final FY15 expenditure report for the Common Core program had not been submitted to ISBE.
- The Regional Office's general ledger did not support the June 30, 2014 grant expenditure report submitted to ISBE for the Common Core program.
- As of January 8, 2016, unspent grant funding from FY13 had not been returned to the grantor.

The Regional Office of Education #51 has not established sufficient internal control procedures. (Finding 2015-003, page 14e)

The auditors recommended the Regional Office should develop procedures to ensure that expenditure reports are submitted to granting agencies by their established due date. Furthermore, the Regional Office should ensure that all unspent grant funding is promptly returned to the granting agency.

The Regional Office responded that it accepted the auditor's recommendations and will revise policies, procedures, and/or practices to address the finding noted.

### **INADEQUATE INTERNAL CONTROLS OVER COMPLIANCE REQUIREMENTS**

**The Regional Office of Education #51 did not have adequate internal controls over compliance requirements.**

As a recipient of federal, State, and local funds from various grantor agencies, the Regional Office must incorporate certain procedures into its operations to ensure compliance with the grant agreements with these entities. During testing of the Title I Grants to Local Educational Agencies, the auditors noted the following:

- Information provided to sub-recipients did not include the CFDA number or total grant award paid to them.
- 1 of 4 (25%) of the grant's expenditure reports were submitted late to the grantor. Quarterly expenditure reports for grants passed through the Illinois State Board of Education are required to be submitted within 20 days of the end of the quarter.
- The general ledger did not support the expenditure reports submitted to the grantor.
- Individuals who worked only for the Title I – School Improvement and Accountability grant did not complete the required semi-annual certifications.
- A Cost Allocation Plan for indirect costs requires support through records and documentation of personnel time and effort information to substantiate the propriety of charges to the grant. Total administrative fees of \$21,965 were recorded based on

the submitted budget; however, based on actual awards passed through to sub-recipients, not all administrative fees recorded were allowed. In addition, there was no evidence of review by someone independent of the accounting function of the administrative fees charged to the grant.

The Regional Office was not in compliance with the requirements of this federal program. Questioned costs were \$16,503. The Regional Office is in the second year of administering the grant and has not established sufficient internal control procedures to ensure compliance with grant requirements. (Finding 2015-004, pages 14f-14g)

The auditors recommended the Regional Office should develop internal control procedures to ensure it adheres to all requirements set forth in grant agreements and the OMB Circular A-133 Compliance Supplement.

The Regional Office of Education #51 responded that it accepts the auditors' recommendations and will revise policies, procedures, and/or practices to address the finding noted. (For previous Regional Office response, see Digest Footnote #2, located at the end of the digest.)

#### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #51's financial statements as of June 30, 2015 are fairly stated in all material respects.

**SIGNED ORIGINAL ON FILE**

---

Frank J. Mautino  
Auditor General

FJM:JRB

AUDITORS ASSIGNED: Kemper CPA Group LLP were our special assistant auditors.

## **DIGEST FOOTNOTES**

### **#1: Controls Over Financial Statement Preparation — Previous Regional Office Response**

In its prior response in 2014, the Regional Office of Education #51 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office of Education staff has a reasonable understanding of the financial statements and can determine that the information in the financial statements is accurate; however, they lack the ability to prepare the notes to the financial statements. The recommendation that “such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education’s activities and operations,” has been noted by the Regional Office. The ROE stated that they will continue to work with the other Regional Offices of Education to determine the most effective method of ensuring that employees possess the knowledge required to compile the necessary GAAP based financial statements. The ROE stated that it accepts the auditors’ recommendations and has revised policies, procedures and/or practices to address the finding noted.

### **#2: Inadequate Internal Controls Over Compliance Requirements – Previous Regional Office Response**

In its prior response in 2014, the Regional Office of Education #51 responded that it accepts the auditors’ recommendations and has revised policies, procedures, and/or practices to address the finding noted.