



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #51
MENARD AND SANGAMON COUNTIES

FINANCIAL AUDIT
For the Year Ended: June 30, 2020

Release Date: December 15, 2021

FINDINGS THIS AUDIT: 2				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	No Repeat Findings			
Category 1:	0	0	0				
Category 2:	2	0	2				
Category 3:	0	0	0				
TOTAL	2	0	2				
FINDINGS LAST AUDIT: 2							

SYNOPSIS

- (20-1) The Regional Office of Education #51 lacked adequate controls over the review of internal controls over external service providers.
- (20-2) The Regional Office of Education #51 did not have sufficient collateral on deposits.

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 #51
MENARD AND SANGAMON COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2020

	FY 2020	FY 2019
TOTAL REVENUES	\$5,999,494	\$5,136,093
Local Sources	\$946,946	\$691,660
% of Total Revenues	15.78%	13.47%
State Sources	\$4,989,206	\$4,159,458
% of Total Revenues	83.16%	80.98%
Federal Sources	\$63,342	\$284,975
% of Total Revenues	1.06%	5.55%
TOTAL EXPENDITURES	\$5,186,506	\$5,306,167
Salaries and Benefits	\$4,291,492	\$4,309,590
% of Total Expenditures	82.74%	81.22%
Purchased Services	\$624,756	\$617,336
% of Total Expenditures	12.05%	11.63%
All Other Expenditures	\$270,258	\$379,241
% of Total Expenditures	5.21%	7.15%
TOTAL NET POSITION	\$(5,030,795)	\$(5,843,783)
INVESTMENT IN CAPITAL ASSETS	\$3,063	\$4,607
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Jeff Vose Currently: Honorable Shannon Fehrholz

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

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

The Regional Office of Education #51 lacked adequate controls over the review of internal controls over external service providers.

As part of the audit process, auditors requested Regional Office of Education #51 (ROE) provide a population of the service providers utilized. The ROE was able to identify the service provider that provides hosting and backup services for the ROE.

The ROE is responsible for the design, implementation, and maintenance of internal controls, including the 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 obtaining the Service Organization Controls (SOC) reports from the service provider on an annual basis or performed alternative procedures to determine the impact of such services on its internal control environment prior to signing an agreement with the service provider.
- Documented its review of each of the SOC reports, or performed alternative procedures, to evaluate any issues relevant to the ROE's internal controls.
- 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 to determine the impact on its internal control environment.

Regional Office management indicated they were unaware that SOC reports should be reviewed on an annual basis for all external service providers in accordance with generally accepted information technology guidance. (Finding 20-001, pages 10a – 10b)

The auditors recommended the ROE document if a review of controls is required for any third-party service providers. If required, the ROE should:

- Obtain SOC reports associated with outsourced systems at least annually.
- Monitor and document the operation of the CUECs relevant to the ROE's operations.
- Obtain and review SOC reports for subservice organizations to satisfy itself that the existence of the subservice organization would not impact its own internal control environment.
- Document its review of the SOC reports, or perform alternative procedures, to evaluate all significant issues to ascertain if a corrective action plan exists, 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: *Regional Office of Education #51 acknowledges the finding and will obtain SOC reports associated with outsourced systems at least annually and adhere to the other recommendations in Finding No. 2020-001.*

INSUFFICIENT COLLATERAL ON DEPOSITS

The Regional Office of Education #51 did not have sufficient collateral on deposits.

The Regional Office of Education #51 (ROE) did not have sufficient collateral on deposits. As of June 30, 2020, cash balances held with various banks exceeded Federal Deposit Insurance Corporation (FDIC) coverage and pledged collateral by \$284,096.

The Public Funds Deposit Act (30 ILCS 225/1) gives the authorization for deposits in excess of the federally insured limit to be covered by pledged collateral held by the financial institutions' trust departments in the ROE's name. In addition, prudent business practice requires that all cash and investments held by financial institutions for the ROE be adequately covered by depository insurance or collateral.

Regional Office management indicated they did not monitor the level of collateral frequently enough to determine it was at a sufficient amount at June 30, 2020. (Finding 20-002, page 10c)

The Regional Office should periodically monitor cash balances, FDIC coverage, and pledged collateral to determine all cash balances are secured, especially around times when large deposits are being received. Additionally, the ROE should work with its financial institutions to provide sufficient collateral or enter into agreements with its financial institutions to have the cash balances monitored for adequate collateral periodically and adjusted as necessary.

ROE Response: *The Regional Office of Education #51 acknowledges the finding and will periodically monitor cash*

balances, FDIC coverage, and pledged collateral to determine all cash balances are secured properly by our financial institution.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #51's financial statements as of June 30, 2020 are fairly stated in all material respects.

This financial audit was conducted by the firm of Doehring, Winders & Co. LLP.

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:JRB