



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #53
MASON, TAZEWELL AND WOODFORD COUNTIES

FINANCIAL AUDIT
 For the Year Ended: June 30, 2020

Release Date: April 14, 2021

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

SYNOPSIS

- (20-1) The Regional Office of Education #53 lacked adequate controls over the bank reconciliation process.
- (20-2) The Regional Office of Education #53 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 #53
MASON, TAZEWELL AND WOODFORD COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2020

	FY 2020	FY 2019
TOTAL REVENUES	\$1,910,730	\$1,992,190
Local Sources	\$530,253	\$602,719
% of Total Revenues	27.75%	30.25%
State Sources	\$1,356,291	\$1,336,820
% of Total Revenues	70.98%	67.10%
Federal Sources	\$24,186	\$52,651
% of Total Revenues	1.27%	2.64%
TOTAL EXPENDITURES	\$1,812,691	\$1,812,314
Salaries and Benefits	\$1,454,707	\$1,407,020
% of Total Expenditures	80.25%	77.64%
Purchased Services	\$233,426	\$289,921
% of Total Expenditures	12.88%	16.00%
All Other Expenditures	\$124,558	\$115,373
% of Total Expenditures	6.87%	6.37%
TOTAL NET POSITION	\$4,240,007	\$4,141,968
INVESTMENT IN CAPITAL ASSETS	\$17,158	\$17,661
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Jeff Ekena Currently: Honorable Jeff Ekena

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INADEQUATE CONTROLS OVER BANK RECONCILIATION PROCESS

The Regional Office of Education #53 lacked adequate controls over the bank reconciliation process.

The Regional Office of Education #53 (ROE) did not have adequate controls over the bank reconciliation process. The ROE maintained 5 bank accounts. During the audit, auditors noted 10 of 60 monthly reconciliations (17%) were performed more than a month late.

Effective internal control policies require complete and accurate accounting records of all transactions of the entity. Sound internal controls require bank reconciliations to be performed accurately and promptly. Reconciling items should be investigated immediately, and adjustments made to the general ledger. Bank reconciliations should also be reviewed and approved by a person independent of the preparer in a timely manner.

Regional Office officials indicated bank reconciliations were delayed due to staff turnover and competing priorities. (Finding 20-001, page 11)

The auditors recommended the ROE should prepare monthly bank reconciliations on a timely basis.

ROE Response: *The ROE will prepare monthly bank reconciliations on a timely basis.*

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

The Regional Office of Education #53 lacked adequate controls over the review of internal controls over external service providers.

Regional Office of Education #53 (ROE) failed to develop a formal process for reviewing its external service providers' internal controls to ensure the accurate processing and security of information.

The ROE is responsible for the design, implementation, and maintenance of internal controls related to information systems and operations to ensure resources and data are adequately protected from unauthorized or accidental disclosure, modifications, or destruction. This responsibility is not limited due to the process of being outsourced.

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 stated they understand the importance of a formal process to monitor service providers and did not realize the current process did not address all the issues noted. (Finding 20-002, pages 12 – 13)

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

- *Obtain SOC reports or perform independent review 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.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #53'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:JRB