



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #55
WHITESIDE COUNTY

FINANCIAL AUDIT
For the Year Ended: June 30, 2015

Release Date: March 31, 2016

FINDINGS THIS AUDIT: 2	AGING SCHEDULE OF REPEATED FINDINGS						
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	Repeated Since	Category 1	Category 2	Category 3
Category 1:	<u>0</u>	<u>1</u>	<u>1</u>	2009	15-1		
Category 2:	<u>1</u>	<u>0</u>	<u>1</u>				
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>				
TOTAL	<u>1</u>	<u>1</u>	<u>2</u>				
FINDINGS LAST AUDIT: 2							

SYNOPSIS

- **(15-1)** The Regional Office of Education #55 did not have sufficient internal controls over the financial reporting process.
- **(15-2)** The Regional Office of Education #55 did not have adequate internal controls over procurement-card transactions.

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 #55
WHITESIDE COUNTY

FINANCIAL AUDIT
For The Year Ended June 30, 2015

	FY 2015	FY 2014
TOTAL REVENUES	\$1,285,022	\$1,277,541
Local Sources	\$70,692	\$89,542
% of Total Revenues	5.50%	7.01%
State Sources	\$973,909	\$986,323
% of Total Revenues	75.79%	77.20%
Federal Sources	\$240,421	\$201,676
% of Total Revenues	18.71%	15.79%
TOTAL EXPENDITURES	\$1,265,307	\$1,325,264
Salaries and Benefits	\$1,049,711	\$1,074,385
% of Total Expenditures	82.96%	81.07%
Purchased Services	\$159,620	\$188,020
% of Total Expenditures	12.62%	14.19%
All Other Expenditures	\$55,976	\$62,859
% of Total Expenditures	4.42%	4.74%
TOTAL NET POSITION	\$278,498 ¹	\$463,655
INVESTMENT IN CAPITAL ASSETS	\$34,802 ²	\$34,001
¹ The FY 2015 beginning net position was restated by (\$204,872) due to a prior period adjustment for new reporting requirements for pensions. ² Capital asset amounts include debt associated with a capital lease. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Robert Sondgeroth* *Effective July 1, 2015, ROE #55 was consolidated into ROE #47.

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**CONTROLS OVER FINANCIAL STATEMENT
PREPARATION**

The Regional Office of Education #55 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #55 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office 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 #55 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 GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect and correct financial statement misstatements and disclosure omissions in a timely manner.

During review of the Regional Office of Education #55's financial information prepared by the Regional Office of Education #55, it was noted that the Regional Office did not have adequate controls to ensure financial statement balances were accurate. While the Regional Office did maintain records to indicate the balances of financial statement accounts, numerous material audit adjustments, including those required under GASB Statements No. 34, No. 68 and No. 71, were proposed in order to ensure those balances were accurate.

Management did not effectively detect all of the material adjustments, including those required under GASB Statements No. 34, No. 68 and No. 71, needed in order to present financial statements in accordance with GAAP. (Finding 2015-001, pages 11-12) **This finding was first reported in 2009.**

The auditors recommended that since the Regional Office of Education # 55 has been dissolved and its county merged into the Lee and Ogle Counties Regional Office of Education # 47, Regional Office of Education # 47 should implement comprehensive preparation procedures to ensure that the

financial statements, including disclosures, are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations.

The Regional Office of Education #47 responded that it will continue to maintain its accounting records on the cash basis of accounting. At the present time, the additional cost to the Regional Office of hiring or contracting the services outweighs the benefits. If additional financial resources are made available through the County or State of Illinois, the Regional Office will consider seeking the services of an accountant to review the financial statements and related disclosures for completeness and accuracy. (For previous Regional Office response, see Digest Footnote #1 shown at the end of the digest.)

INADEQUATE CONTROLS OVER PROCUREMENT-CARD TRANSACTIONS

The Regional Office of Education #55 did not have adequate internal controls over procurement-card transactions.

The Regional Office of Education #55 is required to maintain a system of controls over disbursements to prevent errors, omissions and fraud.

Internal controls over disbursements are not effectively designed and implemented. In 2 of 15 (13%) procurement-card (P-card) transactions tested auditors noted the Regional Superintendent approved his own purchases.

Internal controls over the Regional Superintendent's P-card transactions are not effectively designed and implemented. (Finding 2015-002, page 13)

The auditors recommended that since the Regional Office of Education # 55 has been dissolved and its county merged into the Lee and Ogle Counties Regional Office of Education # 47, Regional Office of Education # 47 should implement internal controls to be sure an appropriate review and approval process is in place that ensures all P-card transactions are reviewed by an employee other than the person incurring the expenditure to ensure the transaction is accurate and proper.

The Regional Office of Education #47 responded that it has instituted a policy of the Regional Superintendent reviewing all P-card transactions, except his own, which are subsequently reviewed by the Assistant Regional Superintendent or the Office Manager.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #55's financial statements as of June 30, 2015 are fairly presented in all material respects.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:KJM

AUDITORS ASSIGNED: Winkel, Parker & Foster, CPA PC 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 #55 responded that it will continue to maintain its accounting records on the cash basis of accounting. The Regional Office noted that, at the present time, the additional cost to the Regional Office of hiring or contracting the services outweighs the benefits. If additional financial resources are made available through the County or State of Illinois, the Regional Office will consider seeking the services of an accountant to review the financial statements and related disclosures for completeness and accuracy.