



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #56
WILL COUNTY

FINANCIAL AUDIT (In Accordance with the
 Uniform Guidance)
 For the Year Ended: June 30, 2018

Release Date: August 28, 2019

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

SYNOPSIS

- **(18-1)** The Regional Office of Education #56 failed to fully insure and collateralize cash balances.
- **(18-2)** The Regional Office of Education #56 did not record salary obligations at year end as a liability.

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 #56
WILL COUNTY

FINANCIAL AUDIT
(In Accordance with the Uniform Guidance)
For The Year Ended June 30, 2018

	FY 2018	FY 2017
TOTAL REVENUES	\$6,122,870	\$5,234,084
Local Sources	\$1,969,385	\$1,547,118
% of Total Revenues	32.16%	29.56%
State Sources	\$2,710,073	\$2,558,780
% of Total Revenues	44.26%	48.89%
Federal Sources	\$1,443,412	\$1,128,186
% of Total Revenues	23.57%	21.55%
TOTAL EXPENDITURES	\$5,802,579	\$5,439,217
Salaries and Benefits	\$3,321,947	\$3,426,377
% of Total Expenditures	57.25%	62.99%
Purchased Services	\$1,450,035	\$1,404,189
% of Total Expenditures	24.99%	25.82%
All Other Expenditures	\$1,030,597	\$608,651
% of Total Expenditures	17.76%	11.19%
TOTAL NET POSITION	\$4,775,983 ¹	\$5,242,797
INVESTMENT IN CAPITAL ASSETS	\$0	\$0
¹ The FY 2018 beginning net position was restated by (\$787,105) due to a prior period adjustment for new reporting requirements for other postemployment benefits. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Dr. Shawn T. Walsh Currently: Dr. Shawn T. Walsh

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**FAILURE TO FULLY INSURE AND
COLLATERALIZE CASH BALANCES**

The Regional Office of Education #56 failed to fully insure and collateralize cash balances.

As of June 30, 2018, the Will County Regional Office of Education #56 (ROE) had a total of four cash accounts between the ROE and its Professional Development Alliance (PDA) with bank balances totaling \$4,405,577 at one financial institution. The Federal Deposit Insurance Corporation (FDIC) covers up to a maximum of \$250,000 per entity. The ROE had pledged securities for an additional \$3,738,152. The ROE did not have depository insurance or collateral for the remaining \$167,425.

The Public Funds Deposit Act (30 ILCS 225/1) gives the ROE the authorization to request financial institutions to pledge collateral for deposits in excess of the federally insured limit. 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.

According to ROE officials, the accounts for the PDA were coded as non-profit by the bank and were not included under the collateral report for FY18. (Finding 18-001, page 13)

The auditors recommended the ROE should monitor bank balances on all accounts and work with the financial institution to provide collateral or enter into an agreement with the financial institution to have the cash balances monitored for adequate collateral periodically and adjusted as necessary.

ROE Response: *The accounts for the PDA were coded as non-profit by the bank and were not included under the collateral report for FY18. The bank now has included the PDA under the ROE's collateral report. The ROE has contacted the bank to request a monthly, quarterly, and yearly Letters of Collateral for all bank accounts to ensure adequate collateral.*

RECORDING OBLIGATIONS

The Regional Office of Education #56 did not record salary obligations at year end as a liability.

The Will County Regional Office of Education #56 (ROE) prepared and recorded electronic fund transfers for its July 15, 2018, July 31, 2018, and August 15, 2018 pay periods prior to June 30, 2018, but did not disburse the funds to the employees until the appropriate pay dates. The ROE posted the payroll

expenditures for these pay periods to its general ledger prior to June 30, 2018, as a reduction of cash and as an expenditure.

Generally Accepted Accounting Principles require obligations at year end to be recorded as a liability to the entity.

According to ROE officials, they were not aware that they had reported obligated salaries incorrectly at year end. (Finding 18-002, page 14)

The auditors recommended the ROE should report obligated salaries at year end as a liability and record the actual payroll disbursements at the end of the appropriate pay period.

ROE Response: *The ROE will report obligated salaries at year end as a liability and record the actual payroll disbursements at the end of the appropriate pay period.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #56's financial statements as of June 30, 2018 are fairly stated in all material respects.

This financial audit was conducted by the firm of McGreal & Company, PC.

SIGNED ORIGINAL ON FILE

JEANNE MICHAUD
Audit Manager

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:JMM