Illinois State Board of Education

- Auditor Questionnaire Findings
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Auditors Questionnaire: Regional Office of Education Follow-Up

Illinois School Code: Article 3-Regional Superintendents of Schools
3-15.1 Annual Financial Reports (AFR)

- ROE must follow-up with each district’s Audit Questionnaire findings.

- School Business Services compiles the responses by region and submit a report to all ROEs usually early summer.

- ROEs will follow up with their districts that reported findings in the recent audit/AFR. Districts are required to report back to the ROE verifying that corrective action is in place to correct the reported finding.

- Districts need to understand that their responsibility is to respond to the findings. Not give the task to the auditor.
Audit Questionnaire Issues in 2013

All questions must be answered by the auditor in relation to the outcome and findings in the audit:

- Questions are not being checked as a finding consistently with the audit or AFR.

- All questions are important, however the following findings were not checked appropriately: 5, 9, 11, 12, 17, 18, 21.
Question 5: Restricted Funds are being commingled in the accounting records or used for other than the purpose for which they are restricted.

Question 9: One or more Inter-fund loans were made in non-conformity with the applicable authorizing statute or without statutory authority.

Question 11: One or more permanent transfers were made in non-conformity with the applicable authorizing statute/regulation or without statutory/regulatory authority.
Audit Questionnaire Issues in 2013 Continued…..

Question 12: Substantial, or systematic misclassification of budgetary items such as, but not limited to, revenues, receipts, expenditures, disbursements, or expenses were observed.

Question 17: The district has for two consecutive years shown an excess of expenditures/other uses over revenues/other sources and beginning fund balances on its annual financial report for the aggregate totals of the Educational, Operations & Maintenance, Transportation, and Working Cash Funds.

Question 18: Student Activity Funds, Imprest Funds, or other funds maintained by the district were excluded from the audit.
Audit Questionnaire Issues in 2013 Continued.....

Question 21: Need to check the box if the district is a Tax Cap District. All districts in Cook County should be checked.

See link for all Illinois counties under PTELL
http://tax.illinois.gov/localgovernment/PropertyTax/PTELLcounties.pdf
Capital Improvements vs Operations & Maintenance for Construction Projects

• All expenditures for construction must be accounted for in the Capital Improvements Fund (cost usually associated with long-term financing).

• All expenditures for regular maintenance should be recorded in the Operations & Maintenance Fund.

• School Boards should have an approved capitalization threshold in place to determine these types of expenditures.
Capital Improvements vs Operations & Maintenance for Construction Projects Continued......

- The School Maintenance and School Energy Efficiency Grants are currently being disbursed to districts and should all be recorded in the fund as described in the last slide and the revenue account #3999. Expenditures should be recorded in the same fund. School Maintenance Grant does not mean it should be deposited in the Operations & Maintenance Fund.
Moneys restricted for Special Education, Area Vocational Construction, School Facility Occupation Taxes, Drivers Education

In the future we may see more expansion in the requirements for these special funds. Districts need to start keeping separate records for each. (Page 27)

Tort Immunity:

- All district should now be using fund 80 exclusively for Tort tax revenue and expenditures.

- District should no longer deposit tax revenue in the education fund. May need to add this to the audit questionnaire as a finding if districts continue to do so.

- This money is restricted and cannot be used for construction or regular maintenance. *(105 ILCS 5/17-2.5 Tax for tort immunity)*
Moneys restricted for Special Education, Area Vocational Construction, School Facility Occupation Taxes, Drivers Education Continued

Special Education Program Tax:

- Revenues – All special education revenues from taxes should be included here. Restricted for specific purposes. (*105 ILCS 5/17-2.2a Tax for special education programs*)

Area Vocational Construction:

- Limited to Vocational Construction Revenue. Restricted for construction purposes. (*105 ILCS 5/17-2.4 Tax for area vocational education building programs*)
School Facility Occupation Taxes (SFO):

- Special Tax revenue coming in to many districts where the SFO tax passed in their county. Must account for the revenues and expenditures separately. These revenues are for restricted purposes. *(55 ILCS 5/5-1006.7 School facility occupation taxes)*

Drivers Education:

- Revenues and expenditures are being followed up on by some legislators. Must account for the revenues and expenditures separately.
Inter-Fund Loan Transfers and Reconciling Cash Fund Accounts

- Some districts are recording these transactions incorrectly in the Assets/Liability section of the AFR.
- District must record the fund, where money is borrowed from and where it is payable to at the end of the fiscal year.
- Inter-fund loans have to be repaid within 3 years.
- Cannot make inter-fund loans or transfers from restricted funds or accounts (ex: municipal retirement/social security, tort fund, health life safety, or transportation fund. *(105 ILCS 5/10-22.33 Inter-fund Loans for exceptions)*)
Inter-Fund Loan Transfers and Reconciling Cash Fund Accounts
Continued......

- Only certain funds can be used for inter-fund loan and one-time transfers. However, seeking a legal opinion backing up the transfer is always advised. *(105 ILCS 5/10-22.33 & 17-2A)*

- Districts are required to reconcile all cash *fund* accounts on a monthly basis. Should report an audit finding if not doing so.
Tuition and Transfer Payment Expenditures

Tuition Payments:

- Tuition Payments are still being charged to Object 800 - Termination Benefits (no longer a Tuition Object)

- All Tuition Payments are to be charged to Functions 1900 or 4000, Object 600-Other

Transfer Payments:

- Transfers still being charged to Object 700 – Non-capitalized Equipment (no longer a Transfer Object)

- All Transfers are to be charged to Function 4000, Object 600 - Other

Districts may simply need to change their Accounting codes for these objects
Legislation Issues:

The General Assembly is discussing Senate Bill 16

Included in that bill is School (Site) Based Accounting

- Will require record keeping at building level
- Will require audits at both the building level and district level
- Will means higher costs to districts for additional auditing work
- Will mean more record keeping
- AFR will be completed on each school building and then summarized as a district.
QUESTIONS?

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