

SCHOOL DISTRICT U-46

REPORTS REQUIRED BY OMB CIRCULAR A-133 AND
GOVERNMENT AUDITING STANDARDS

YEAR ENDED JUNE 30, 2014



Assurance ■ Tax ■ Consulting

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**Independent Auditor's Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

To the Members of the Board of Education
School District U-46
Elgin, Illinois

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of School District U-46 ("District") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 15, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs as Findings 2014-001 and 2014-002 that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

School District U-46's Responses to Findings

The District's responses to the findings identified in our audit are described in the accounting schedule of findings and questioned costs. The District's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "McGladrey LLP". The signature is written in a cursive, flowing style.

Chicago, Illinois
December 15, 2014



**Independent Auditor's Report on Compliance For Each Major Federal Program;
Report on Internal Control Over Compliance; and Report on the Schedule of
Expenditures of Federal Awards Required by OMB Circular A-133**

To the Members of the Board of Education
School District U-46
Elgin, Illinois

Report on Compliance for Each Major Federal Program

We have audited the School District U-46's ("District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2014. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibilities

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal Program

In our opinion, School District U-46 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 15, 2014 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2014 is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 2014 information has been subjected to the auditing procedures applied in the audits of the basic financial statements for the year ended June 30, 2014, and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2014 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2014.

We also previously audited, in accordance with auditing standards generally accepted in the United States, the District's basic financial statements as of and for the year ended June 30, 2013 (not presented herein), and have issued our report thereon dated December 13, 2013, which contained unmodified opinions on the respective financial statements of the governmental activities, the major fund, and the aggregate remaining fund information. The schedule of expenditures of federal awards for the year ended June 30, 2013 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2013 financial statements. The 2013 information has been subjected to the auditing procedures applied in the audit of the 2013 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare those basic financial statements or to those basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2013 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole for the year ended June 30, 2013.

McGladrey LLP

Chicago, Illinois
December 15, 2014

(attachment of ISBE 62-18)

County

District/Joint Agreement Name

School District U46

District/Joint Agreement No.

U46

ILLINOIS STATE BOARD OF EDUCATION
100 NORTH FIRST STREET
SPRINGFIELD, ILLINOIS 62777-0001

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR Ended JUNE 30, 2014

Federal Agency/ Pass-through Grantor/ Program Name	CFDA Number (A)	ISBE Project Number (B)	Revenues		Expenditures		Obligations/ Encumbrances (G)	Final Status (H)	Budget (I)
			7/1/12- 6/30/13 (C)	7/1/13- 6/30/14 (D)	7/1/12- 6/30/13 (E)	7/1/13- 6/30/14 (F)			
U.S. Department of Education:									
Direct grants:									
Fund for the Improvement of Education: Teaching American History	84.215X	U215X080096	\$ 878	\$ -	\$ 412	\$ -	\$ -	\$ 195,256	364,428
Passed through Illinois State Board of Education:									
Title I Part A Cluster									
Title I Grants to Local Education Agencies: Title I : Low Income	84.010A	14-4300-00 13-4300-00 12-4300-00	- 9,309,646 602,626	8,522,849 208,789 -	- 9,313,488 606,350	8,522,849 208,789 -	- - -	8,522,849 9,522,277 8,879,749	10,375,697 10,263,435 9,500,851
			9,912,272	8,731,638	9,919,838	8,731,638	-	26,924,875	30,139,983
Title I Grants to Local Education Agencies: Title I : Low Income - Neglected Priv.	84.010A	14-4305-00 13-4305-00	- 53,131	7,944 -	- 53,131	7,944 -	- -	7,944 53,131	47,818 53,131
			53,131	7,944	53,131	7,944	-	61,075	100,949
Total Title I Part A Cluster			9,965,403	8,739,582	9,972,969	8,739,582	-	26,985,950	30,240,932
Safe and Drug-Free Schools and Communities-State Grants Title IV : Safe and Drug Free Schools -Formula	84.186A	12-4400-00	1,300	-	1,300	-	-	4,861	5,291
Twenty-First Century Community Learning Centers: Title IV - 21st Century Community Learning Centers	84.287C	14-4421-12 14-4421-10 13-4421-12 13-4421-10 12-4421-12 12-4421-10	- - 623,943 228,745 137,339 41,744	596,054 170,160 63,307 20,891 -	- - 623,943 228,745 137,339 41,744	596,054 170,160 63,307 20,891 -	- - - - -	596,054 170,160 687,250 249,636 733,286 354,382	832,281 250,000 804,281 249,636 832,281 359,300
			1,031,771	850,412	1,031,771	850,412	-	2,790,768	3,327,779

(attachment of ISBE 62-18)

County

District/Joint Agreement Name

School District U46

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ILLINOIS STATE BOARD OF EDUCATION
100 NORTH FIRST STREET
SPRINGFIELD, ILLINOIS 62777-0001SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR Ended JUNE 30, 2014

Federal Agency/ Pass-through Grantor/ Program Name	CFDA Number (A)	ISBE Project Number (B)	Revenues		Expenditures		Obligations/ Encumbrances (G)	Final Status (H)	Budget (I)
			7/1/12- 6/30/13 (C)	7/1/13- 6/30/14 (D)	7/1/12- 6/30/13 (E)	7/1/13- 6/30/14 (F)			
Special Education Cluster (IDEA)									
Special Education - Preschool Grants: Pre-School Flow Through	84.173A	14-4600-00	-	152,633	-	152,633	5,000	157,633	193,771
		13-4600-00	167,467	-	167,467	-	-	167,467	185,004
		12-4600-00	-	-	1,051	-	-	163,863	177,692
			167,467	152,633	168,518	152,633	5,000	488,963	556,467
Special Education - Grants to States: IDEA Flow Through	84.027A	14-4620-00	-	7,357,065	-	7,357,065	100,000	7,457,065	8,758,306
		13-4620-00	7,658,384	15,734	7,658,384	15,734	-	7,674,118	8,459,057
		12-4620-00	78,366	-	509,036	-	-	7,362,418	7,740,089
			7,736,750	7,372,799	8,167,420	7,372,799	100,000	22,493,601	24,957,452
Special Education - Grants to States: IDEA Room & Board	84.027A	14-4625-00	-	219,971	-	219,971	-	219,971	N/A
		13-4625-00	241,032	73,352	241,032	73,352	-	314,384	N/A
		12-4625-00	63,242	-	51,070	-	-	192,031	N/A
			304,274	293,323	292,102	293,323	-	726,386	N/A
Total Special Education Cluster (IDEA)			8,208,491	7,818,755	8,628,040	7,818,755	105,000	23,708,950	25,513,919
English Language Acquisition Grants: Title III : Language Instruction Program - Limited English	84.365A	14-4909-00	-	956,688	-	956,688	-	956,688	1,323,747
		13-4909-00	1,129,738	94,001	1,129,738	94,001	-	1,223,739	1,408,386
		12-4909-00	86,871	-	86,871	-	-	1,232,877	1,429,631
			1,216,609	1,050,689	1,216,609	1,050,689	-	3,413,304	4,161,764
Improving Teacher Quality State Grants: Title II : Teacher Quality	84.367A	14-4932-00	-	1,024,638	-	1,024,638	-	1,024,638	1,828,783
		13-4932-00	596,150	188,221	596,150	188,221	-	784,371	1,706,127
		12-4932-00	142,291	-	142,291	-	-	1,139,043	1,823,131
			738,441	1,212,859	738,441	1,212,859	-	2,948,052	5,358,041
Passed through Illinois Department of Human Services Rehabilitation Services - Vocational Rehabilitation Grants to States: Rehabilitation Services	84.126	940CK001618	-	101,774	-	101,774	-	101,774	N/A
		940CK001618	47,449	-	47,449	-	-	47,449	N/A
			47,449	101,774	47,449	101,774	-	149,223	N/A
Passed through Illinois Community College Board: Adult Education - Basic Grants to States: Federal - Adult Education : Basic	84.002A	13-4810-00	43,966	-	46,967	-	-	46,967	46,967

(attachment of ISBE 62-18)

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ILLINOIS STATE BOARD OF EDUCATION
100 NORTH FIRST STREET
SPRINGFIELD, ILLINOIS 62777-0001

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR Ended JUNE 30, 2014

Federal Agency/ Pass-through Grantor/ Program Name	CFDA Number (A)	ISBE Project Number (B)	Revenues		Expenditures		Obligations/ Encumbrances (G)	Final Status (H)	Budget (I)
			7/1/12- 6/30/13 (C)	7/1/13- 6/30/14 (D)	7/1/12- 6/30/13 (E)	7/1/13- 6/30/14 (F)			
Passed through Northern Kane County Regional Vocational System:									
Career and Technical Education - Basic Grants to States:									
Perkins IIC Grant	84.048A	14-4745-00	-	341,459	-	341,459	-	341,459	N/A
		13-4745-00	409,689	51,762	408,436	51,979	-	460,415	N/A
			409,689	393,221	408,436	393,438	-	801,874	N/A
Total U.S. Department of Education			21,663,997	20,167,292	22,092,394	20,167,509	105,000	61,045,205	69,019,121
U.S. Department of Agriculture:									
Passed through Illinois State Board of Education:									
Commodity Supplemental Food Program	10.555	14-4299-00	-	995,884	-	995,884	-	995,884	N/A
		13-4299-00	867,285	-	867,285	-	-	867,285	N/A
			867,285	995,884	867,285	995,884	-	1,863,169	N/A
National School Lunch Program	10.555	14-4210-00	-	7,841,310	-	7,841,310	-	7,841,310	N/A
		13-4210-00	7,630,218	1,584,814	7,630,218	1,584,814	-	9,215,032	N/A
		12-4210-00	1,341,058	-	1,341,058	-	-	8,213,971	N/A
			8,971,276	9,426,124	8,971,276	9,426,124	-	25,270,313	N/A
School Breakfast Program	10.553	14-4220-00	-	2,497,428	-	2,497,428	-	2,497,428	N/A
		13-4220-00	2,350,642	458,111	2,350,642	458,111	-	2,808,753	N/A
		12-4220-00	375,702	-	375,702	-	-	2,000,411	N/A
			2,726,344	2,955,539	2,726,344	2,955,539	-	7,306,592	N/A
Total Child Nutrition Cluster			12,564,905	13,377,547	12,564,905	13,377,547	-	34,440,074	N/A
Fresh Fruits and Vegetables Program	10.582	13-4240-13	85,138	-	85,138	-	-	85,138	N/A
		13-4240-12	18,447	-	18,447	-	-	18,447	N/A
			103,585	-	103,585	-	-	103,585	N/A
Total U.S. Department of Agriculture			12,668,490	13,377,547	12,668,490	13,377,547	-	34,543,659	N/A
U.S. Department of Justice:									
Passed through Village of Streamwood:									
Secure our Schools	16.710	2008CKWX0652	9,513	-	9,513	-	-	9,513	9,513
Passed through City of Elgin:									
COPS Office	16.710	2010CKWX0728	-	118,384	-	118,384	-	118,384	229,150
Total U.S. Department of Justice			9,513	118,384	9,513	118,384	-	127,897	238,663

(attachment of ISBE 62-18)

County

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ILLINOIS STATE BOARD OF EDUCATION
100 NORTH FIRST STREET
SPRINGFIELD, ILLINOIS 62777-0001

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR Ended JUNE 30, 2014

Federal Agency/ Pass-through Grantor/ Program Name	CFDA Number (A)	ISBE Project Number (B)	Revenues		Expenditures		Obligations/ Encumbrances (G)	Final Status (H)	Budget (I)
			7/1/12- 6/30/13 (C)	7/1/13- 6/30/14 (D)	7/1/12- 6/30/13 (E)	7/1/13- 6/30/14 (F)			
U.S. Department of Health and Human Services:									
Passed through Illinois Department of Healthcare and Family Services									
Passed through Northwestern Illinois Association:									
Medical Assistance Program	93.778	14-4991-00	-	734,447	-	734,447	-	734,447	N/A
		13-4991-00	979,249	-	976,249	-	-	976,249	N/A
			979,249	734,447	976,249	734,447	-	1,710,696	N/A
Passed through Illinois Department of Human Services									
Affordable Care Act Maternal, Infant and Early Childhood									
Home Visiting Program									
	93.505	14-4977-00	-	166,198	-	181,074	-	181,074	N/A
		13-4977-00	199,254	-	177,046	-	-	177,046	N/A
			199,254	166,198	177,046	181,074	-	358,120	N/A
Passed through MDRC									
Maternal, Infant and Early Childhood Home									
Visiting Research Programs									
	93.615	13-4876-00	15,000	-	1,148	-	-	1,148	N/A
Passed through Illinois Department of Human Services									
ARRA - Head Start									
	93.708	13-4879-00	38,419	-	38,417	-	-	38,417	N/A
Total U.S. Department of Health and Human Services			1,231,922	900,645	1,192,860	915,521	-	2,108,381	N/A
Total Federal Awards			\$ 35,573,922	\$ 34,563,868	\$ 35,963,257	\$ 34,578,961	\$ 105,000	\$ 97,825,142	\$ 69,257,784

CFDA Catalog of Federal Domestic Assistance
See Notes to Schedule of Expenditures of Federal Awards

School District U-46

Notes to Schedule of Expenditures of Federal Awards

Note 1. Significant Accounting Policies

The accompanying schedule of expenditures of federal awards includes the federal grant activity of School District U-46 and is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of financial statements.

No funds were identified as having been provided to subrecipients by the District under the meaning of Sections 105 and 210 of OMB Circular A-133, and accordingly, no funds identified in the Schedule of Expenditures of Federal Awards are attributable to subrecipient entities as required under Section 310(b) of OMB Circular A-133. There were no federal awards expended for insurance or any loans or loan guarantees outstanding at year-end. For the year ended June 30, 2014, the District did receive \$995,884 of noncash assistance in the form of food commodities that is included under the Department of Agriculture passed through the Illinois State Board of Education (CFDA #10.555). For the year ended June 30, 2013, the District did receive \$867,285 of noncash assistance in the form of food commodities that is included under the Department of Agriculture passed through the Illinois State Board of Education (CFDA #10.555).

Basis of accounting: The schedule has been prepared using the modified accrual basis of accounting which is the same basis used in preparing the basic financial statements of the District.

Note 2. CFDA Totals

Total federal expenditures for CFDA Numbers with multiple ISBE project numbers are as follows:

CFDA Number	2013	2014
84.010	\$ 9,972,969	\$ 8,739,582
84.027	8,408,452	7,666,122
10.555	9,838,561	10,422,008

School District U-46

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014**

II. FINANCIAL STATEMENT FINDINGS

Finding 2014-001: Unrecorded Liabilities

Criteria or specific requirement:

In accordance with Generally Accepted Accounting Principles ("GAAP"), all liabilities and related expenses should be recorded in the period when the goods are purchased or when the services are performed.

Condition:

The District does not have adequate controls in place to ensure that liabilities relating to accounts payable, claims payments, and legal expenditures are recorded in the proper period.

Context:

During our testing we noted that 4 invoices totaling approximately \$250,000 relating to goods delivered prior to the year-end but not recorded as payables as of June 30, 2014. In addition, claims payable and accrued legal expenditures were approximately understated by \$400,000 each. Though the checks and in some cases invoices were not written or received until after year end, the expenses should have been accounted for in the period when the related services were performed.

Effect:

Not recording expenses in the proper period could lead to liabilities, expenses and the financial statements of the District being materially misstated.

Cause:

According to District management, some invoices dated after June 30th were related to goods or services provided prior to year-end, but were not recorded as payables at year-end. The District did not include these amounts in the initial accrual.

Recommendation:

We recommend that the District establish controls to ensure that all invoices are recorded in the accounting system in the proper period. Proper cutoffs are critical for the accuracy of the accrual basis of accounting.

Views of responsible officials:

Management concurs with the finding.

School District U-46

**Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014**

II. FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2014-002: Other Post Employment Benefits Data Provided to the Actuary

Criteria or specific requirement:

In accordance with the Governmental Accounting Standards Board Statement No. 45, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, the District is required to report the value and associated costs of benefits provided.

Condition:

The District does not have adequate controls in place to ensure that employee benefit information is properly tracked, maintained, and updated in their data files.

Context:

During our testing, we identified 18 retired benefit participants and 7 active benefit participants that were improperly excluded from the data provided to the actuary to perform the actuarial valuation of other post employment benefits as of June 30th. Further, we noted that the data provided to the actuary included incorrect hire dates of employees, which resulted in the data showing an average of approximately 3.5 service years less than actual service years for employees.

Effect:

Inadequate tracking and maintenance of accurate information in employee benefit data files could result in discrepancies in the GASB 45 valuation of the other post employment benefits liability. In addition, the District's expense and liability for payroll and post-retirement benefits could be misstated if adequate information is not maintained to support complete and accurate employee benefit data.

Cause:

The District has recently transitioned to new software for Human Resources and Payroll, and had to write new reports. Some employees who recently retired, or were released at the end of the school year, were inadvertently left off the list due to the timing of when we collected the data. Regarding the hire dates, the original data sent to the actuary used the hire date of the current position, instead of the original hire date with the District.

Recommendation:

We recommend that the District establish controls to ensure that adequate information is maintained in all data files. The Finance and Human Resources departments should conduct a periodic review of all employee data files to ensure that accurate information is maintained therein, to support complete and accurate employee benefit data.

Views of responsible officials:

Management concurs with the finding.

School District U-46

Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2014

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings or questioned costs for federal awards reported.

School District U-46

Summary Schedule of Prior Audit Findings Year Ended June 30, 2014

II. FINANCIAL STATEMENT FINDINGS

Finding 13-01: Unrecorded Liabilities

Condition and Context: The District does not have adequate procedures in place to ensure that liabilities are recorded in the proper period. During our testing to search for unrecorded liabilities, we noted that several invoices totaling approximately \$1,560,000 relating to progress billings for construction services performed prior to the year-end were not recorded as payables as of June 30, 2013. We also noted the District did not accrue for approximately \$501,000 of retainage payable incurred before year end. Though the checks and in some cases invoices were not written or received until after year end, the expenses should have been accounted for in the period when the related services were performed.

Current status: While the District has taken steps to improve controls over accruing liabilities at year end certain exceptions were noted again this year relating to accrued liabilities but not specifically construction related accruals, therefore, this finding is repeated as Finding 2014-001 in the current year.

Finding 13-02: Maintenance of Personnel Files

Condition and Context: The District does not have adequate controls in place to ensure that personnel information is properly maintained and updated in their system. During payroll testing, we noted 1 instance of lack of adequate documentation in personnel files out of 23 samples selected and 4 instances of untimely updates to the payroll system out of 23 samples selected. During our testing, we noted one discrepancy in the salary amount stated in the employment contract and actual salary payment to the employees. In addition, for four terminations, we noted updates to the District's payroll system did not occur in a timely fashion.

Current status: Base on current year audit procedures, this finding has been reduced to a control deficiency and as such is not included in this report as a finding for the year ended June 30, 2014.

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

Finding 13-03: Maintenance of Personnel Files

Information on the federal program:

Title III – Language Instruction Program – Limited English CFDA 84.365 and Special Education Cluster (IDEA) CFDA 84.173/84.392A and 84.027/84.391A are impacted by this finding.

Questioned Costs:

None

Condition and Context:

See Finding 13-02 above

Current status: In the prior year this finding indicated it could potentially impact all federal programs when that was not the case. This prior year finding impacted two of the three major programs identified in the prior year audit and should have been stated as such. The two programs this finding impacted in the prior year were 84.365A Title III – Language Instruction Program – Limited English and 84.173A/84.392A and 84.027A/84.391A Special Education Cluster (IDEA). The last of the major programs identified in the prior year was 10.555/10.553 Child Nutrition Cluster. This program provides awards based on the number of eligible meals and snacks served, therefore, this prior year finding would not impact the 10.555/10.553 Child Nutrition Cluster. In addition, based on current year audit procedures, this finding has been reduced to a control deficiency and as such is not included in this report as a finding for the year ended June 30, 2014.