

# SCHOOL DISTRICT U-46

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

YEAR ENDED JUNE 30, 2013



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, 2013, 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 13, 2013.

**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 13-01 and 13-02 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.

*McGladrey LLP*

Chicago, Illinois  
December 13, 2013



**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, 2013. 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, 2013.

## **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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a deficiency described in the accompanying schedule of findings and questioned costs as Finding 13-03 that we consider to be a significant deficiency.

The District's response to the internal control over compliance finding identified in our audit is described in the accounting schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements. We issued our report thereon dated December 13, 2013 which contained unmodified opinions on those financial statements. Our audit for the year ended June 30, 2013 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, 2013 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 2013 information has been subjected to the auditing procedures applied in the audits of the basic financial statements for the year ended June 30, 2013, 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 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.

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, 2012 (not presented herein), and have issued our report thereon dated November 30, 2012, 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, 2012 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 2012 financial statements. The 2012 information has been subjected to the auditing procedures applied in the audit of the 2012 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 2012 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, 2012.

*McGladrey LLP*

Chicago, Illinois  
December 13, 2013

(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, 2013

Federal Agency/ Pass-through Grantor/ Program Name	CFDA Number (A)	ISBE Project Number (B)	Revenues		Expenditures		Obligations/ Encumbrances (G)	Final Status (H)	Budget (I)
			7/1/11- 6/30/12 (C)	7/1/12- 6/30/13 (D)	7/1/11- 6/30/12 (E)	7/1/12- 6/30/13 (F)			
U.S. Department of Education:									
Direct grants:									
Fund for the Improvement of Education: Teaching American History	84.215X	U215X080096	\$ -	\$ 878	\$ -	\$ 412	\$ -	412	364,428
		U215X080096	226,681	-	194,844	-	-	194,844	364,428
			226,681	878	194,844	412	-	195,256	728,856
Fund for the Improvement of Education: FIE Earmark Grant Awards	84.215K	U215K090314	28,762	-	114,823	-	-	114,823	142,882
Total Fund for the Improvement of Education									
Safe and Drug-Free Schools and Communities-National Program Comprehensive Safety and Emergency Response Plan	84.184E	Q184E090106	158,700	-	158,050	-	-	158,050	244,147
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	13-4300-00	-	9,309,646	-	9,313,488	-	9,313,488	10,263,435
		12-4300-00	8,277,123	602,626	8,723,399	606,350	-	9,329,749	9,500,851
		11-4300-00	(1,479,795)	-	88,330	-	-	88,330	8,076,840
			6,797,328	9,912,272	8,811,729	9,919,838	-	18,731,567	27,841,126
Title I Grants to Local Education Agencies: ARRA-Title I - Low Income	84.389A	12-4851-00	269,482	-	-	-	-	-	-
		11-4851-00	-	-	269,577	-	-	3,804,242	3,534,760
			269,482	-	269,577	-	-	3,804,242	3,534,760
Title I Grants to Local Education Agencies: Title I : Low Income - Neglected Priv.	84.010A	13-4305-00	-	53,131	-	53,131	-	53,131	53,131
		12-4305-00	43,134	-	43,134	-	-	43,134	43,134
			43,134	53,131	43,134	53,131	-	96,265	96,265
Total Title I Part A Cluster			7,109,944	9,965,403	9,124,440	9,972,969	-	22,632,074	31,472,151
Safe and Drug-Free Schools and Communities-State Grants Title IV : Safe and Drug Free Schools -Formula	84.186A	12-4400-00	3,561	1,300	3,561	1,300	-	4,861	5,291
		11-4400-00	-	-	8,830	-	-	8,830	53,476
			3,561	1,300	12,391	1,300	-	13,691	58,767



(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, 2013

Federal Agency/ Pass-through Grantor/ Program Name	CFDA Number (A)	ISBE Project Number (B)	Revenues		Expenditures		Obligations/ Encumbrances (G)	Final Status (H)	Budget (I)
			7/1/11- 6/30/12 (C)	7/1/12- 6/30/13 (D)	7/1/11- 6/30/12 (E)	7/1/12- 6/30/13 (F)			
Twenty-First Century Community Learning Centers: Title IV - 21st Century Community Learning Centers	84.287C	13-4421-12 13-4421-10 12-4421-12 12-4421-10 11-4421-07 11-4421-10	- - 595,947 325,089 - (1,961)	623,943 228,745 137,339 41,744 - -	- - 595,947 312,638 7,049 65,063	623,943 228,745 137,339 41,744 - -	- - - - - -	623,943 228,745 733,286 354,382 7,049 65,063	804,281 269,475 832,281 359,300 213,600 359,300
			919,075	1,031,771	980,697	1,031,771	-	2,012,468	2,838,237
Special Education Cluster (IDEA)									
Special Education - Preschool Grants: Pre-School Flow Through	84.173A	13-4600-00 12-4600-00 11-4600-00	- 162,663 (15,081)	167,467 - -	- 161,612 2,656	167,467 1,051 -	- 1,200 -	167,467 163,863 2,656	185,004 177,692 167,185
			147,582	167,467	164,268	168,518	1,200	333,986	529,881
Special Education - Preschool Grants: ARRA-Pre-School Flow Through	84.392A	11-4856-00	14,446	-	14,446	-	-	14,446	249,153
Special Education - Grants to States: IDEA Flow Through	84.027A	13-4620-00 12-4620-00 11-4620-00	- 7,284,052 922,233	7,658,384 78,366 -	- 6,853,382 2,109,135	7,658,384 509,036 -	- - -	7,658,384 7,362,418 2,109,135	8,459,057 7,740,089 9,361,725
			8,206,285	7,736,750	8,962,517	8,167,420	-	17,129,937	25,560,871
Special Education - Grants to States: ARRA - IDEA Flow Through	84.391A	11-4857-00	1,205,741	-	1,205,741	-	-	1,205,741	5,704,640
Special Education - Grants to States: IDEA Room & Board	84.027A	2013-4625-00 2012-4625-00 2011-4625-00	- 140,962 58,156	304,274 - -	- 184,708 -	292,102 - -	- - -	292,102 184,708 -	N/A N/A N/A
			199,118	304,274	184,708	292,102	-	476,810	-
Total Special Education Cluster (IDEA)			9,773,172	8,208,491	10,531,680	8,628,040	1,200	19,160,920	32,044,545
English Language Acquisition Grants: Title III : Language Instruction Program - Limited English	84.365A	13-4909-00 12-4909-00 11-4909-00	- 1,146,006 104,033	1,129,738 86,871 -	- 1,146,006 469,181	1,129,738 86,871 -	- - -	1,129,738 1,232,877 469,181	1,408,386 1,429,631 1,832,904
			1,250,039	1,216,609	1,615,187	1,216,609	-	2,831,796	4,670,921

(attachment of ISBE 62-18)

County  
 District/Joint Agreement Name  
 School District U46  
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 U46

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

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR Ended JUNE 30, 2013

Federal Agency/ Pass-through Grantor/ Program Name	CFDA Number (A)	ISBE Project Number (B)	Revenues		Expenditures		Obligations/ Encumbrances (G)	Final Status (H)	Budget (I)
			7/1/11- 6/30/12 (C)	7/1/12- 6/30/13 (D)	7/1/11- 6/30/12 (E)	7/1/12- 6/30/13 (F)			
Improving Teacher Quality State Grants: Title II : Teacher Quality	84.367A	13-4932-00	-	596,150	-	596,150	-	596,150	1,706,127
		12-4932-00	996,752	142,291	996,752	142,291	-	1,139,043	1,823,131
		11-4932-00	(591,336)	-	147,986	-	-	147,986	1,689,651
			405,416	738,441	1,144,738	738,441	-	1,883,179	5,218,909
Education Technology State Grants: Technology- Enhancing Education - Formula	84.318X	11-4971-00	-	-	786	-	-	786	17,120
Education Technology State Grants: ARRA - Technology- Enhancing Education - Formula	84.410	12-4880-00	69,487	-	69,487	-	-	69,487	N/A
			69,487	-	69,487	-	-	69,487	N/A
Passed through Illinois Department of Human Services Rehabilitation Services - Vocational Rehabilitation Grants to States: Rehabilitation Services	84.126	940CK001618	-	47,449	-	47,449	-	47,449	N/A
		940CK001618	55,815	-	55,815	-	-	55,815	N/A
			55,815	47,449	55,815	47,449	-	103,264	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
		12-4810-00	102,302	-	102,302	-	-	102,302	100,937
		11-4810-00	(100)	-	-	-	-	-	1,008,109
			102,202	43,966	102,302	46,967	-	149,269	1,156,013
Passed through Northern Kane County Regional Vocational System: Career and Technical Education - Basic Grants to States: Perkins IIC Grant	84.048A	13-4745-00	-	409,689	-	408,436	-	408,436	392,128
		12-4745-00	674,781	-	283,618	-	-	283,618	392,128
		11-4745-00	(217,332)	-	-	-	-	-	392,128
			457,449	409,689	283,618	408,436	-	692,054	1,176,384
<b>Total U.S. Department of Education</b>			<b>20,560,303</b>	<b>21,663,997</b>	<b>24,388,858</b>	<b>22,092,394</b>	<b>1,200</b>	<b>50,017,117</b>	<b>N/A</b>
U.S. Department of Agriculture:									
Passed through Illinois State Board of Education: Commodity Supplemental Food Program	10.555	13-4299-00	-	867,285	-	867,285	-	867,285	N/A
		12-4299-00	946,403	-	946,403	-	-	946,403	N/A
			946,403	867,285	946,403	867,285	-	1,813,688	N/A

(attachment of ISBE 62-18)

County  
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ILLINOIS STATE BOARD OF EDUCATION  
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 SPRINGFIELD, ILLINOIS 62777-0001

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 YEAR Ended JUNE 30, 2013

Federal Agency/ Pass-through Grantor/ Program Name	CFDA Number (A)	ISBE Project Number (B)	Revenues		Expenditures		Obligations/ Encumbrances (G)	Final Status (H)	Budget (I)
			7/1/11- 6/30/12 (C)	7/1/12- 6/30/13 (D)	7/1/11- 6/30/12 (E)	7/1/12- 6/30/13 (F)			
National School Lunch Program	10.555	13-4210-00	-	7,630,218	-	7,630,218	-	7,630,218	N/A
		12-4210-00	6,872,913	1,341,058	6,872,913	1,341,058	-	8,213,971	N/A
		11-4210-00	1,257,319	-	1,257,319	-	-	1,257,319	N/A
			8,130,232	8,971,276	8,130,232	8,971,276	-	17,101,508	N/A
School Breakfast Program	10.553	13-4220-00	-	2,350,642	-	2,350,642	-	2,350,642	N/A
		12-4220-00	1,624,709	375,702	1,624,709	375,702	-	2,000,411	N/A
		11-4220-00	238,865	-	238,865	-	-	238,865	N/A
			1,863,574	2,726,344	1,863,574	2,726,344	-	4,589,918	N/A
Total Child Nutrition Cluster			10,940,209	12,564,905	10,940,209	12,564,905	-	23,505,114	N/A
Fresh Fruits and Vegetables Program	10.582	13-4240-12	-	85,138	-	85,138	-	85,138	N/A
		13-4240-11	-	18,447	-	18,447	-	18,447	N/A
		12-4240-12	71,090	-	71,090	-	-	71,090	N/A
		12-4240-11	10,438	-	10,438	-	-	10,438	N/A
			81,528	103,585	81,528	103,585	-	185,113	N/A
Total U.S. Department of Agriculture			11,021,737	12,668,490	11,021,737	12,668,490	-	23,690,227	N/A
Corporation for National and Community Service Passed through Illinois State Board of Education: Learn and Serve America	94.004	12-4910-00	9,197	-	9,197	-	-	9,197	9,197
	11-4910-00	(761)	-	5,564	-	-	-	5,564	14,864
			8,436	-	14,761	-	-	14,761	24,061
U.S. Department of Justice: Passed through Village of Streamwood: Secure our Schools	16.710	2008CKWX0652	-	9,513	-	9,513	-	9,513	9,513
		2008CKWX0652	132,581	-	117,111	-	-	117,111	473,700
			132,581	9,513	117,111	9,513	-	126,624	483,213
U.S. Department of Health and Human Services: Passed through Northwestern Illinois Association: Medical Assistance Program	93.778	13-4991-00	-	979,249	-	976,249	-	976,249	N/A
		12-4991-00	2,091,356	-	1,114,201	-	-	1,114,201	N/A
		11-4991-00	(940,521)	-	-	-	-	-	N/A
			1,150,835	979,249	1,114,201	976,249	-	2,090,450	N/A
Passed through Illinois Department of Human Services Affordable Care Act Maternal, Infant and Early Childhood Home Visiting Program	93.505	13-4877-00	-	199,254	-	177,046	-	177,046	N/A

(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, 2013

Federal Agency/ Pass-through Grantor/ Program Name	CFDA Number (A)	ISBE Project Number (B)	Revenues		Expenditures		Obligations/ Encumbrances (G)	Final Status (H)	Budget (I)
			7/1/11- 6/30/12 (C)	7/1/12- 6/30/13 (D)	7/1/11- 6/30/12 (E)	7/1/12- 6/30/13 (F)			
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
<b>Total U.S. Department of Health and Human Services</b>			<b>1,150,835</b>	<b>1,231,922</b>	<b>1,114,201</b>	<b>1,192,860</b>	<b>-</b>	<b>2,307,061</b>	<b>N/A</b>
<b>Total Federal Awards</b>			<b>\$ 32,873,892</b>	<b>\$ 35,573,922</b>	<b>\$ 36,656,668</b>	<b>\$ 35,963,257</b>	<b>\$ 1,200</b>	<b>\$ 76,155,790</b>	<b>N/A</b>

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**

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**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, 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). For the year ended June 30, 2012, the District did receive \$946,403 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:

<b>CFDA Number</b>	<b>2012</b>	<b>2013</b>
84.215	\$ 309,667	\$ 412
84.010	8,854,863	9,972,969
84.027	9,147,225	8,459,522
10.555	9,076,635	9,838,561

School District U-46

Schedule of Findings and Questioned Costs  
Year Ended June 30, 2013

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I. SUMMARY OF AUDITOR'S RESULTS

*Financial Statements*

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None Reported

Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major programs:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes  No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
84.365A	Title III – LIPLEP
84.173A/84.392A 84.027A/84.391A	Special Education Cluster
10.555/10.553	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs \$1,078,898

Auditee qualified as low-risk auditee?  Yes  No

**School District U-46**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2013**

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**II. FINANCIAL STATEMENT FINDINGS**

**Finding 13-01: 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 construction retainages and construction in progress are recorded in the proper period.

Context:

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.

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 construction invoices dated after June 30<sup>th</sup> were for partial month billings, so part of the invoice should have been accrued. Also some progress billings included retainage amounts. 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 and planned corrective actions:

The Director of Financial Operations will have the accounts payable staff and an accounting staff member review the invoices paid after June 30<sup>th</sup>, to enable the District to determine if any of the invoices should be included in the amounts payable at year end.

**School District U-46**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2013**

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**II. FINANCIAL STATEMENT FINDINGS (Continued)**

**Finding 13-02: Maintenance of Personnel Files**

Criteria or specific requirement:

Good business practices require that adequate and relevant employee records be maintained in individual employee files from their dates of hire and maintained through the dates of separation of employment.

Condition:

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.

Context:

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.

Effect:

Lack of maintenance of adequate information in personnel files could result in discrepancies in approved employee compensation and actual compensation paid out to the employee. In addition, the District's expense and liability for payroll and post-retirement benefits could be misstated if adequate documentation is not maintained in personnel files to support employee's compensation, hire dates and termination dates.

Cause:

According to District management, actual salaries are dependent on verification of education and experience; hence actual payment could differ from the initial salary stated in the employment contract or salary letter, once the verification process is complete. With regard to the District's payroll system, District management stated that Human Resources is not given the approved information from the schools in a timely manner, which results in untimely updates to the District's payroll system.

Recommendation:

We recommend that the District establish controls to ensure that adequate information is maintained in all personnel files. The Human Resources department should conduct a periodic review of all employee files to ensure relevant information is maintained therein, to support approved compensation for each employee.

Views of responsible officials and planned corrective actions:

The current system is very labor intensive for filing of employee documents. The Human Resources department procedures will be updated to include date stamping and confirmation of receiving each document. Additional resources will be used to ensure timely updates to the employee files. The Assistant Superintendent of Human Resources will review a random selection of employee files during the year to evaluate progress in this area.



**School District U-46**

**Schedule of Findings and Questioned Costs (Continued)**  
**Year Ended June 30, 2013**

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**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

**Finding 13-03: Maintenance of Personnel Files**

Information on the federal program:

All federal programs are impacted by this finding.

Questioned Costs:

None

Criteria or specific requirement, condition, context, effect, cause, recommendation and views of responsible officials:

See Findings 13-02 above.

**School District U-46**

**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2013**

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**II. FINANCIAL STATEMENT FINDINGS**

**Finding 12-01: Unrecorded Liabilities**

*Condition and Context:* The District does not have adequate procedures in place to ensure that liabilities are recorded in the proper period. In addition, we noted that the liability for medical claims was understated at year end. During our testing on search for unrecorded liabilities, we noted that several invoices totaling approximately \$646,000 relating to goods delivered prior to the year end but not recorded as payables as of June 30, 2012. We also noted the District did not accrue for approximately \$180,000 of legal expenses 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. In addition, we noted an adjustment of approximately \$325,000, to increase the liability for medical claims.

*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 construction accruals specifically, therefore, this finding is repeated as Finding 13-01 in the current year.

**Finding 12-02: Maintenance of Personnel Files**

*Condition and Context:* The District does not have adequate procedures in place to ensure that personnel information is properly maintained. During payroll testing, we noted 1 instances of lack of adequate documentation in personnel files. During our testing, we noted an employee on long-term disability was retired in the payroll system effective October 2011, but there was no documentation in the personnel file regarding the effective termination date. In addition, for a new hire, we noted discrepancies in the salary amount stated in the employment contract and actual salary payment to the employee. The auditors did note that the District was not informed of any error in salary payment by the employee.

*Current status:* While the district has taken steps to improve controls over maintenance of personnel files certain exceptions were noted again this year, therefore, the finding is repeated as Finding 13-02 in the current year.

**III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS**

There were no findings or questioned costs for federal awards.



José M. Torres, Ph.D., Superintendent

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U-46.org

**Corrective Action Plan  
Year Ended June 30, 2013**

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**Finding 13-01: Unrecorded Liabilities**

Condition:

The District does not have adequate controls in place to ensure that liabilities relating to construction retainages and construction in progress invoices are recorded in the proper period.

Plan:

The Director of Financial Operations will have the accounts payable staff and an accounting staff member review the invoices paid after June 30<sup>th</sup>, to enable the District to determine if any of the invoices should be included in the amounts payable at year end.

Anticipated Date of Completion:

June 30, 2014

Responsible Employee:

Director of Financial Operations

View of Responsible Officials:

Management concurs with the finding.

**Finding 13-02 and 13-03: Maintenance of Personnel Files**

Condition:

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.

Plan:

The current system is very labor intensive for filing of employee documents. The Human Resources department procedures will be updated to include date stamping and confirmation of receiving each document. Additional resources will be used to ensure timely updates to the employee files. The Assistant Superintendent of Human Resources will review a random selection of employee files during the year to evaluate progress in this area.

Anticipated Date of Completion:

June 30, 2014

Responsible Employee:

Director of Financial Operations

View of Responsible Officials:

Management concurs with the finding.