

# Northern Kane County Regional Career and Technical Education System

Reports Required by  
The Uniform Guidance and  
*Government Auditing Standards*  
Year Ended June 30, 2018

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RSM US LLP

**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**

School District U-46 as Fiscal Agent for  
Northern Kane County Regional Career  
and Technical Education System  
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 and the major fund of Northern Kane County Regional Career and Technical Education System (the System) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the System's basic financial statements, and have issued our report thereon dated January 14, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the System's internal control over financial reporting (internal control) to determine 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 System's internal control. Accordingly, we do not express an opinion on the effectiveness of the System'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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the System'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. 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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the System's basic 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*.

**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 System'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 System's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*RSM US LLP*

Chicago, Illinois  
January 14, 2019

**Independent Auditor's Report on Compliance for the  
Major Federal Program; Report on Internal Control Over Compliance  
and Report on Schedule of Expenditures of Federal Awards  
Required by the Uniform Guidance**

School District U-46 as Fiscal Agent for  
Northern Kane County Regional Career  
and Technical Education System  
Elgin, Illinois

**Report on Compliance for the Major Federal Program**

We have audited Northern Kane County Regional Career and Technical Education System's (the System) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the System's major federal program for the year ended June 30, 2018. The System's major federal program is 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for the System's major federal program 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 the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on the Major Federal Program**

In our opinion, the System complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

### **Other Matters**

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-001. Our opinion on the major federal program is not modified with respect to this matter.

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

### **Report on Internal Control Over Compliance**

Management of the System 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 System's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, 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 System'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 certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2018-001, that we considered a significant deficiency.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

**Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the basic financial statements of the System, as of and for the year ended June 30, 2018, and have issued our report thereon dated January 14, 2019, which contained an emphasis of matter paragraph for the System's use of the cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified in respect to this matter. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the System's basic financial statements. The accompanying schedule of expenditures of federal awards, is presented for purposes of additional analysis as required by the Uniform Guidance 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*RSM US LLP*

Chicago, Illinois  
October 29, 2019

**Northern Kane County Regional Career  
and Technical Education System  
Schedule of Expenditures of Federal Awards  
As of June 30, 2018**

<b>Federal Agency/ Pass-through Grantor/ Program or Cluster Name</b>	<b>CFDA Number</b>	<b>ISBE Project No./ Contract/Award No.</b>	<b>Federal Expenditures</b>	<b>Passed Through to Subrecipients</b>
U.S. Department of Education:				
Passed through Illinois State Board of Education:				
Career and Technical Education - Basic Grants to States:				
Perkins Secondary	84.048A	18-4745-00	\$ 519,061	\$ 519,061
		17-4745-00	299,828	299,828
Total Expenditure of Federal Awards			<u>\$ 818,889</u>	<u>\$ 818,889</u>

CFDA Catalog of Federal Domestic Assistance

See Notes to Schedule of Expenditures of Federal Awards

**Northern Kane County Regional Career  
and Technical Education System**

**Notes to Schedule of Expenditures of Federal Awards**

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**Note 1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) includes the federal award activity of Northern Kane County Regional Career and Technical Education System (the System) under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the System, it is not intended to and does not present the financial position, changes in net position or fund balance of the System.

**Note 2. Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the cash basis of accounting, which is the same basis of accounting used in preparing the basic financial statements of the System. There were no federal awards expended for non-cash assistance or insurance and there were no loan programs for the year ended June 30, 2018.

**Note 3. Subrecipients**

The System provided federal awards to subrecipients under the Career and Technical Education – Basic Grants to States: Perkins Secondary grant (CFDA # 84.048A) as follows:

<b>Subrecipient Name</b>	<b>Amount</b>
Community Unit School District #300	\$ 155,769
Central Community Unit School District #301	49,928
Community Unit School District #303	84,840
School District U-46	528,352
Total Pass Through	<u>\$ 818,889</u>

**Note 4. Indirect Cost Rate**

The System has not elected to use the 10 percent de minimus indirect cost rate as allowed under the Uniform Guidance.

**Northern Kane County Regional Career  
and Technical Education System**

**Schedule of Findings and Questioned Costs  
Year Ended June 30, 2018**

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**I. Summary of Auditor's Results**

***Financial Statements***

Type of report the auditor issued on the financial statements: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  Yes  No

Significant deficiency(ies) identified?  Yes  No

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  No

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

Any audit findings disclosed that are required to be reported in accordance  
with 2 CFR 200.516(a)?  Yes  No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
84.048A	Career and Technical Education – Basic Grants to States: Perkins Secondary

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

**Northern Kane County Regional Career  
and Technical Education System**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2018**

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**II. FINANCIAL STATEMENT FINDINGS**

(A) Internal Control

No matters were reported

(B) Compliance Findings

No matters were reported.

**Northern Kane County Regional Career  
and Technical Education System**

**Schedule of Findings and Questioned Costs (Continued)  
Year Ended June 30, 2018**

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**III. Federal Award Findings**

Internal Control and Compliance Finding

**Finding 2018-001: Untimely Determination of a Single Audit**

Federal Program:

Career and Technical Education – Basic Grants to States: Perkins Secondary awarded by the Department of Education under CFDA number 84.048A. Passed through the Illinois State Board of Education under award numbers 18-4745-00, 17-4745-00.

Criteria:

The Uniform Guidance includes the following audit requirements associated with federal awards:

- 2 CFR Section 200.501, *Audit Requirements*, a non-federal entity that expends \$750,000 or more during its fiscal year in federal awards must have a single audit conducted in accordance with Uniform Guidance.
- 2 CFR 200.502, *Basis for Determining Federal Awards Expended*, the determination of when a federal award is expended must be based on when the activity related to the federal award occurred.
- 2 CFR Section 200.512, *Report Submission*, the audit must be completed and the data collection form must be submitted within the earlier of 30 days of the auditor's report or nine months after the end of the audit period.

Condition:

The System expended over \$750,000 in federal awards during fiscal year 2018 but did not determine a single audit was required until more than nine months after its fiscal year end. As such, the data collection form was not filed timely.

Cause:

Management reviewed the awarded grant budget which was less than \$750,000 for program year 2018 to determine if a single audit was required instead of reviewing the total amount expended during fiscal year 2018.

Potential Effect:

Identifying a single audit is required after reporting deadlines have passed could jeopardize the award of future federal funds.

Questioned Cost:

None

Context:

The System participates in one federal program.

Recommendation:

We recommend the System review the total amount of federal expenditures incurred at the end of its fiscal year to determine if a single audit is required. In addition, the System should timely submit the data collection form to the Federal Audit Clearinghouse.

Views of responsible officials:

Management will look at the actual expenditures for the federal program at the end of the fiscal year to determine if a single audit is required.



**Summary Schedule of Prior Audit Findings  
Year Ended June 30, 2018**

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**I. FINANCIAL STATEMENT FINDINGS**

No financial statement findings were reported in the prior audit.

**II. FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

There were no findings or questioned costs for federal awards reported in the last single audit.



# Northern Kane County Regional Career & Technical Education

Connecting Today's Students with Tomorrow's Opportunities

## Northern Kane County Regional Career and Technical Education System

### Corrective Action Plan Year Ended June 30, 2018

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#### **Finding 2018-001: Untimely Determination of a Single Audit**

##### Federal Program:

Career and Technical Education – Basic Grants to States: Perkins Secondary awarded by the Department of Education under CFDA number 84.048A. Passed through the Illinois State Board of Education under award numbers 18-4745-00, 17-4745-00.

##### Questioned Cost:

None

##### Finding:

The System expended over \$750,000 in federal awards during fiscal year 2018 but did not determine a single audit was required until more than nine months after its fiscal year end.

##### Corrective Action Planned:

Management will look at the actual expenditures for the federal program at the end of the fiscal year, to determine if a single audit is required.

##### Contact Person Responsible for Corrective Action:

Dale Burnidge, Director of Financial Operations

##### Anticipated Completion Date:

June 30, 2019