REPORT DIGEST

ILLINOIS SCHOOL FOR THE VISUALLY IMPAIRED

> LIMITED SCOPE COMPLIANCE EXAMINATION

For the Two Years Ended: June 30, 2009

Summary of Findings:

2

3

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Total this report Total last report Repeated from last audit

Release Date: June 29, 2010



State of Illinois Office of the Auditor General **WILLIAM G. HOLLAND** AUDITOR GENERAL

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SYNOPSIS

- The School does not have an acceptable commodities inventory valuation method.
- The School prepared and submitted inaccurate Locally Held Fund Reports to the Office of the State Comptroller.

{Expenditures and Activity Measures are summarized on the reverse page.}

DEPARTMENT OF HUMAN SERVICES ILLINOIS SCHOOL FOR THE VISUALLY IMPAIRED LIMITED SCOPE COMPLIANCE EXAMINATION For The Two Years Ended June 30, 2009

| EXPENDITURE STATISTICS | FY 2009 | FY 2008 | FY 2007 |
|---|--|-------------------------|-----------------------|
| Total Expenditures (All Appropriated | \$9,691,850 | \$9,484,804 | \$8,857,193 |
| Funds) | | | |
| | | | |
| OPERATIONS TOTAL | \$9,691,850 | \$9,484,804 | \$8,857,193 |
| % of Total Expenditures | 100% | 100% | 100% |
| Personal Services | \$6,984,453 | \$7,012,095 | \$6,669,338 |
| % of Operations Expenditures | 72.07% | 73.93% | 75.30% |
| Average No. of Employees | 132 | 135 | 129 |
| Average Salary per Employee | \$52,913 | \$51,941 | \$51,700 |
| Other Payroll Costs (FICA, | \$1,381,793 | \$1,196,872 | \$909,221 |
| Retirement) | 14.26% | 12.62% | 10.27% |
| % of Operations Expenditures | | * • • • • | |
| Student Compensation | \$12,025 | \$9,733 | \$15,254 |
| % of Operations Expenditures | 0.12% | 0.10% | 0.17% |
| Contractual Services | \$748,181 | \$679,653 | \$655,847 |
| % of Operations Expenditures | 7.72% | 7.17% | 7.40% |
| Commodities | \$321,056 | \$227,471 | \$427,077 |
| % of Operations Expenditures | 3.31% | 2.40% | 4.82% |
| All Other Operations Items | \$244,342 | \$358,980 | \$180,456 |
| % of Operations Expenditures | 2.52% | 3.78% | 2.04% |
| Cost of Property and Equipment | \$21,635,013 | \$21,022,103 | \$21,016,479 |
| SELECTED ACTIVITY MEASURES | | | |
| (Not Examined) | FY 2009 | FY 2008 | FY 2007 |
| Average Number of Students | 62 | 62 | 95 |
| Ratio of Employees to Students | 2.11 to 1 | 2.18 to 1 | 1.36 to 1 |
| Paid Overtime Hours & Earned Compensatory | 19,909 | 25,581 | 27,185 |
| Hours | | | , |
| | , | , | |
| Hours Walue of Paid Overtime Hours & Earned Compensatory Hours Compensatory Hours | \$481,539 | \$604,151 | \$605,762 |
| Value of Paid Overtime Hours & Earned | | | \$605,762 \$93,156 |
| Value of Paid Overtime Hours & Earned Compensatory Hours | \$481,539 | \$604,151 | |
| Value of Paid Overtime Hours & Earned Compensatory Hours Cost Per Year Per Student AGENCY DIRECTOR | \$481,539 \$77,080 | \$604,151 \$83,706 | |
| Value of Paid Overtime Hours & Earned Compensatory Hours Cost Per Year Per Student | \$481,539 \$77,080 lent (7/1/07 thro | \$604,151 \$83,706 | \$93,156 |

FINDING, CONCLUSIONS AND RECOMMENDATION

UNACCEPTABLE INVENTORY VALUATION

The Illinois School for the Visually Impaired (School) does not have an acceptable commodities inventory valuation method.

All of the School's commodities inventory on hand are valued at the most recent purchase price, which is not an acceptable valuation method. As a result, we could not determine whether the June 30, 2009 commodities inventory values were reasonable. (Finding 1, page 9)

We recommended the School establish an acceptable method for valuing its commodities inventory to help maintain accurate inventory records as required by the Statewide Accounting Management System.

Officials agreed with our recommendation and stated the School will work on replacing the current inventory system with the Commodity Control System that the Department of Human Services is currently using.

INADEQUATE CONTROLS OVER LOCALLY HELD FUNDS

The Illinois School for the Visually Impaired (School) prepared and submitted inaccurate June 30, 2008 and 2009 Locally Held Funds Reports (C-17 Reports) to the Office of the State Comptroller.

We noted the following errors with the Locally Held Fund Reports submitted to the Office of the State Comptroller:

• The June 30, 2008 DHS/DORS Agency Fund C-17 Report overstated receipts \$4,162 and overstated disbursements \$4,345 and the DHS/DORS Special Revenue Fund overstated receipts \$3,425 and overstated disbursements \$3,212. The receipts and disbursements in both funds were overstated due to the School including DHS/DORS Special Revenue

Could not determine June 30, 2009 inventory balances were reasonable

Officials agree with Auditor recommendation

June 2008 and 2009 receipts and disbursements overstated due to the School recording refunds as receipts instead of a reduction of disbursements

\$113,835 recorded as interest instead of private donations

Officials agree with Auditor recommendation

Fund transactions in with the Agency Fund transactions. In addition, the School records cash refunds as a receipt instead of recognizing the refund as a reduction of disbursements.

- The June 30, 2009 DHS/DORS Agency Fund C-17 Report overstated receipts \$1,494 and overstated disbursements \$1,560 and the DHS/DORS Special Revenue Fund overstated receipts \$5,001 and overstated disbursements \$4,982. The receipts and disbursements in both funds were overstated due to the School recording cash refunds as a receipt instead of recognizing the refund as a reduction of disbursements. (Finding 2, pages 10-11)
- The June 30, 2008 DHS/DORS Permanent Trust Fund receipts were not reported correctly. The School recorded a donation totaling \$113,835 as investment income instead of a private donation on the C-17 Report.

We recommended the School strengthen its controls over the reporting of locally held funds maintained by the School by ensuring all funds are properly reported to the Office of the State Comptroller as required by SAMS.

Officials agreed with our recommendation and stated the School will implement a system to only record the actual amount expended during the fiscal year from locally held funds. This process will start on the next Report of Receipts and Disbursements for Locally Held Funds (C-17 Report) due in January 2010 for quarter ending 12/31/09.

AUDITORS' OPINION

We conducted a limited scope compliance examination of the School as required by the Illinois State Auditing Act. Financial statements will be presented in the report for the Department of Human Services.

<u>STATE COMPLIANCE EXAMINATION –</u> <u>ACCOUNTANTS' REPORT</u>

The auditors qualified their report on State Compliance for finding 09-1. Except for the noncompliance described in this finding, the auditors state the School complied, in all material respects, with the requirements described in the report.

WILLIAM G. HOLLAND, Auditor General

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AUDITORS ASSIGNED

This examination was performed by the Office of the Auditor General's staff.