



STATE OF ILLINOIS
**OFFICE OF THE
AUDITOR GENERAL**

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #32
IROQUOIS AND KANKAKEE COUNTIES

**FINANCIAL AUDIT (In Accordance with the Single
Audit Act and OMB Circular A-133)
For the Year Ended: June 30, 2011
Release Date: April 19, 2012**

Summary of Findings:
Total this audit: 4
Total last audit: 4
Repeated from last audit: 3

SYNOPSIS

- The Regional Office of Education #32 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #32 did not immediately use or return State grant expenditures refunds.
- The Regional Office of Education #32 did not return interest earned on federal grant funds.
- The Regional Office of Education #32 did not have proper support for amounts claimed on expenditure reports.

{Revenues and expenditures are summarized on the reverse page.}

REGIONAL OFFICE OF EDUCATION #32
IROQUOIS/KANKAKEE COUNTIES

FINANCIAL AUDIT
(In Accordance with the Single Audit Act and OMB Circular A-133)
For The Year Ended June 30, 2011

	FY 2011	FY 2010
TOTAL REVENUES	\$5,528,297	\$5,680,248
Local Sources	\$899,387	\$1,046,821
% of Total Revenues	16.27%	18.43%
State Sources	\$2,670,069	\$2,443,101
% of Total Revenues	48.30%	43.01%
Federal Sources	\$1,958,841	\$2,190,326
% of Total Revenues	35.43%	38.56%
TOTAL EXPENDITURES	\$4,960,533	\$5,428,759
Salaries and Benefits	\$3,089,228	\$3,253,216
% of Total Expenditures	62.28%	59.93%
Purchased Services	\$684,682	\$589,290
% of Total Expenditures	13.80%	10.86%
All Other Expenditures	\$1,186,623	\$1,586,253
% of Total Expenditures	23.92%	29.22%
TOTAL NET ASSETS	\$3,137,298 ¹	\$2,535,128
INVESTMENT IN CAPITAL ASSETS	\$0	\$2,054
¹ Includes a restatement of the FY 2011 beginning net asset balance to record adjustments totaling \$34,406 to various ROE funds. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Kathleen Pangle (Retired effective December 31, 2011) Currently: Honorable Gregg Murphy (Effective January 10, 2012)

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #32 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #32 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

The Regional Office of Education #32 did not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on the cash basis of accounting. While the Regional Office maintains controls over the processing of most accounting transactions, there were not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. Auditors, in their review of the Regional Office's accounting records, noted the following:

- Several adjustments were necessary to properly record prior year proposed audit entries.
- In addition, the Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or deferred revenue. While the Regional Office did maintain records to indicate the balances of some accounts payable, accounts receivable, and deferred revenue, the Regional Office's financial information required several adjusting entries to present the financial statements in accordance with generally accepted accounting principles.

According to Regional Office officials, they did not have adequate funding to hire a certified public accountant or other qualified and trained financial professionals as full-time staff. (Finding 11-01, page 12a)

The auditors recommended that, as part of its internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education #32 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. These procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office's activities and operations.

The Regional Office of Education #32 responded that in an attempt to correct this finding, the Regional Office will send its fiscal staff to various trainings to better understand accrual accounting and reporting under generally accepted accounting principles (GAAP).

IMPROPER USE OF REFUNDED STATE GRANT EXPENDITURES

The Regional Office of Education #32 did not immediately use or return State grant expenditures refunds.

The Regional Office is responsible for establishing and maintaining an internal control system over receipts and disbursements sufficient to prevent errors and fraud in its completion of quarterly expenditure reports required for grants administered by the Illinois State Board of Education.

The Regional Office received a refund in the amount of \$5,220 on May 27, 2011 for a purchased service expenditure claimed on the final Teacher & Administrators Mentoring Program expenditure report through August 31, 2010. The Regional Office had not expected to receive this refund at the time of the final expenditure report submission. Once received, the Regional Office immediately used \$814 of the refund to cover Teacher & Administrators Mentoring Program purchased service expenditures that had previously been paid with local funds. The remaining \$4,406 of the refund had not been spent on allowable Teacher & Administrators Mentoring Program expenditures as of June 30, 2011, nor had it been returned to the grantor.

Lack of appropriate internal controls over grant receipts and disbursements could allow misuse of State or Federal grant monies. (Finding 11-02, page 12b)

Auditors recommended the Regional Office should use refunds, of previously claimed expenditures, to pay for similar allowable grant expenditures or return the monies to the grantor immediately. The Regional Office of Education #32 responded that it is aware of the finding and has made arrangements to spend the refund on allowable grant expenditures as recommended.

INTEREST EARNED ON FEDERAL GRANT FUNDS

The *Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments* (34 Code of Federal Regulations Part 80.21) requires that interest earned on federal fund balances in excess of \$100 be remitted back to the federal granting agency promptly or at least quarterly.

The Regional Office of Education #32 did not return interest earned on federal grant funds.

The Regional Office had interest income in excess of \$100 related to the following programs which was due back to the grantor agency:

- Title I-School Improvement and Accountability-System of Support -- \$925
- McKinney Education for Homeless Children--\$1,821

According to Regional Office officials, the failure to return interest earned on federal grant funds was due to oversight by Regional Office personnel. (Finding 11-03, page 12c)

Auditors recommended that the Regional Office should track interest earnings on federal funds so that any excess funds can be returned promptly. In addition, after \$100 is earned on federal funds, any federal interest in excess of \$100 should be returned to the grantor at the end of each following quarter.

The Regional Office of Education #32 responded that it agrees with the finding and has remitted the appropriate amounts of interest to its grantor as well as any future interest amounts earned in excess of the \$100 limit.

IMPROPER SUPPORT FOR AMOUNTS CLAIMED ON EXPENDITURE REPORTS

The Regional Office of Education #32 did not have proper support for amounts claimed on expenditure reports.

The Regional Office of Education #32 is responsible for establishing and maintaining an internal control system over receipts and disbursements sufficient to prevent errors and fraud in its completion of quarterly expenditure reports required for grants administered by the Illinois State Board of Education.

During their review, auditors noted the following:

- Reimbursement of \$14,108.73 for program supplies and activities was approved and paid without any supporting documentation. Supporting documentation was later obtained for some of the items, after the payment was made, as result of an audit request. Details of the items remaining unsupported as of the report date are included below.

- a. A reimbursement of \$11.38 was made to a particular individual for meals and no supporting documentation was ever received.
 - b. Sales tax of \$11.39 was paid on otherwise allowable expenditures.
 - c. Membership dues of \$610 for two individuals were paid to the Illinois Principals Association. Only one invoice of \$305 had been provided as support. The Regional Office later determined that the individual had been paid twice and grant's subrecipient had overcharged the Regional Office by \$305.
 - d. Travel expenses of \$200 were paid to an individual without any supporting documentation.
 - e. A credit card payment was made totaling \$740.70 of which \$37.90 initially had no supporting documentation to determine if the expenditure was allowable under the program. Upon receiving a detailed receipt, the \$37.90 was for the purchase of alcohol and was not an allowable expenditure under the program.
- Reimbursement of \$576.02 from restaurant credit card summary receipts did not provide detail of the amounts spent in order to determine if the entire amount paid was allowable under the program. In addition, \$209.17 of this amount was supported with a statement from the District requesting the reimbursement, stating that detailed receipts were not available.
 - In one instance the 7.5% tax and 18% gratuity totaling \$19.13 on alcoholic beverages was reimbursed.

Lack of appropriate documentation for reimbursements could result in potential noncompliance with grant requirements. According to Regional Office officials, the failure to obtain proper support for these purchases was due to oversight by Regional Office personnel. (Finding 11-04, pages 12d-12e)

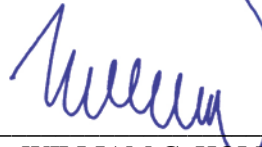
Auditors recommended that the Regional Office should obtain proper documentation for all reimbursements including ensuring that purchase orders and invoices agree and that reimbursements are based only on valid vendor invoices and not purchase orders.

The Regional Office of Education #32 responded that it agrees with the finding. The Regional Office noted that the I-KAN

Regional Office of Education has taken steps to address the procedures related to this finding. The ROE noted that employees as well as outside entities participating in grant activities have received reminders of proper procedures for reimbursement for business related expenses. The Regional Office also noted that it will continue to work to share proper procedure reminders with employees and other entities.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #32's financial statements as of June 30, 2011 are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:JRB

AUDITORS ASSIGNED: Kemper CPA Group, LLP were our special assistant auditors.