



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #40
CALHOUN/GREENE/JERSEY/MACOU PIN COUNTIES

FINANCIAL AUDIT
For the Year Ended: June 30, 2011

Release Date: May 24, 2012

Summary of Findings:

Total this audit:	2
Total last audit:	1
Repeated from last audit:	1

SYNOPSIS

- The Regional Office of Education #40 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #40 had weaknesses in internal control procedures.

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

REGIONAL OFFICE OF EDUCATION #40
CALHOUN/GREENE/JERSEY/MACOU PIN COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2011

	FY 2011	FY 2010
TOTAL REVENUES	\$1,583,141	\$1,631,265
Local Sources	\$296,801	\$337,433
% of Total Revenues	18.75%	20.69%
State Sources	\$1,099,284	\$1,142,845
% of Total Revenues	69.44%	70.06%
Federal Sources	\$187,056	\$150,987
% of Total Revenues	11.82%	9.26%
TOTAL EXPENDITURES	\$1,452,027	\$1,611,115
Salaries and Benefits	\$868,801	\$1,111,514
% of Total Expenditures	59.83%	68.99%
Purchased Services	\$333,177	\$306,749
% of Total Expenditures	22.95%	19.04%
All Other Expenditures	\$250,049	\$192,852
% of Total Expenditures	17.22%	11.97%
TOTAL NET ASSETS	\$446,787 ¹	\$279,673
INVESTMENT IN CAPITAL ASSETS	\$28,723	\$45,612
¹ Includes a \$36,000 restatement to the FY 2011 beginning net asset balance. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Larry D. Pfeiffer Currently: Honorable Larry D. Pfeiffer

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #40 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #40 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 #40 did not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the cash basis of accounting. While the Regional Office maintains controls over the processing of most accounting transactions, there are 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. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- 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.
- Several prior year proposed audit entries were either not correctly recorded or not correctly reversed, as necessary.
- Transfers and due to/from other fund amounts were not always correctly recorded. Adjusting audit entries were necessary to net transfers and due to/from other funds to zero.
- The repayment of the loan from Macoupin County was not recognized in all of the appropriate accounts.

According to Regional Office officials, they did not have adequate funding to hire a certified public accountant or other financial professionals for their full-time staff. However, they did obtain the assistance of a local county Chief Financial Officer in the current year. (Finding 11-01, pages 10a-10b) **This finding was first reported in 2007.**

The auditors recommended that, as part of its internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education #40 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review 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 of Education's activities and operations.

The Regional Office of Education #40 responded that a financial consultant from Macoupin County will continue to assist the Regional Office during FY 2012 to help address this finding and will specifically review the items noted above. (For previous Regional Office response, see Digest Footnote #1.)

INEFFECTIVE INTERNAL CONTROL PROCEDURES

The Regional Office of Education #40 had weaknesses in internal control procedures.

The Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system over receipts and disbursements sufficient to prevent errors and fraud. The following weaknesses in the Regional Office of Education #40's internal control system were noted:

- Three (3) timesheets out of 24 had not been signed and approved by the Program Director.
- Two (2) Direct Deposit Vouchers out of 35 had not been signed and approved by the Assistant Regional Superintendent or the Regional Superintendent.
- Two (2) disbursements for credit card purchases did not have an approved Payment Authorization Form available.

Lack of effective internal control procedures could result in unintentional or intentional errors or misappropriations of assets, in which the errors or fraud could be material to the financial statements and may not be detected in a timely manner by employees in the normal course of performing their assigned duties. (Finding 11-02, page 10c)

The auditors recommended the following:

- All employee timesheets should be signed and approved by the applicable direct supervisor.
- All Direct Deposit Vouchers should be reviewed and approved by either the Regional Superintendent or the Assistant Regional Superintendent.
- All disbursements, including credit card disbursements, should have an approved Payment Authorization Form signed by the appropriate Program Director. If the individual submitting the request is the Program Director, the Payment Authorization Form should be signed by another individual such as the Regional Superintendent or the Assistant Regional Superintendent.

The Regional Office of Education #40 responded that it agrees with the finding and will make every effort to follow established internal controls.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #40'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.

DIGEST FOOTNOTE

#1: Controls Over Financial Statement Preparation - Previous Regional Office Response

In its prior response in 2010, the Regional Office of Education #40 responded that a financial consultant from Macoupin County is going to assist the Regional Office during FY 2011 to help address this finding.

