



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

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**REGIONAL OFFICE OF EDUCATION #41**  
**MADISON COUNTY**

**FINANCIAL AUDIT (In accordance with the Single  
Audit Act and OMB Circular A-133)  
For the Year Ended: June 30, 2010  
Release Date: May 5, 2011**

**Summary of Findings:**  
**Total this audit: 1**  
**Total last audit: 2**  
**Repeated from last audit: 0**

**SYNOPSIS**

- The Regional Office of Education #41 did not properly record interfund transactions and, as a result, did not properly apply the appropriate generally accepted accounting principles.

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

**REGIONAL OFFICE OF EDUCATION #41**  
**MADISON COUNTY**

**FINANCIAL AUDIT**

**(In accordance with the Single Audit Act and OMB Circular A-133)**

**For the Year Ended June 30, 2010**

	<b>FY 2010</b>	<b>FY 2009</b>
<b>TOTAL REVENUES</b>	\$4,452,363	\$4,764,621
Local Sources	\$2,125,088	\$2,008,524
% of Total Revenues	47.73%	42.15%
State Sources	\$1,815,223	\$2,027,718
% of Total Revenues	40.77%	42.56%
Federal Sources	\$512,052	\$728,379
% of Total Revenues	11.50%	15.29%
<b>TOTAL EXPENDITURES</b>	\$4,295,481	\$4,642,941
Salaries and Benefits	\$3,435,298	\$3,524,596
% of Total Expenditures	79.97%	75.91%
Purchased Services	\$523,539	\$859,540
% of Total Expenditures	12.19%	18.51%
All Other Expenditures	\$336,644	\$258,805
% of Total Expenditures	7.84%	5.57%
<b>TOTAL NET ASSETS</b>	\$2,370,981	\$2,214,099
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$165,729	\$254,418
Percentages may not add due to rounding.		

**REGIONAL SUPERINTENDENT**

During Audit Period: Honorable Robert Daiber

Currently: Honorable Robert Daiber

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **IMPROPER ACCOUNTING OF INTERFUND TRANSACTIONS**

**The Regional Office of Education #41 did not properly record interfund transactions and, as a result, did not properly apply the appropriate generally accepted accounting principles.**

The Madison County Regional Office of Education #41 did not properly record interfund transactions and, as a result, did not properly apply the appropriate generally accepted accounting principles (GAAP). Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements – Management’s Discussion and Analysis – for State and Local Governments defines interfund transactions as activities that take place between and among funds of the same reporting entity. These interfund transactions include loans, services provided and used, transfers, and reimbursements. A fund may incur interfund reimbursements or allocations of expenditures that will subsequently be reimbursed by another fund. Reimbursements should not be reported in the governmental entity’s financial statements as revenues of the fund receiving the reimbursement. Instead, a reduction in the expenditure should be recorded in the fund that is being reimbursed in order to avoid “double counting” of revenue and expenditure items.

The Illinois Administrative Code (74 Ill. Adm. Code 420.320 (c) (1) and (2)) requires that each Regional Office of Education maintain the accounting records necessary to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). In addition, the Illinois Program Accounting Manual (IPAM) provides guidance to ensure that complete and accurate financial information is recorded and used as a basis in preparing the ROE’s financial statements.

The Regional Office did not properly record interfund transactions. Interfund reimbursements (\$73,991) covering personnel costs that are allocated among funds and charges for supplies and administrative costs (\$33,394) initially paid by the general operating fund were recorded as a revenue of the operating fund instead of a reduction in the applicable expenditure account. Failure to properly account for interfund transactions may result in inaccurate and incomplete financial statements.

Subsequent to the auditor’s notification, the Regional Office revised the financial statements to properly record interfund transactions and to present the financial statements in accordance with GAAP.

Management of the Regional Office recorded interfund reimbursements as revenue of the operating fund because they generally use the operating fund to pay for certain

administrative costs which are allocated to other funds.  
(Finding 10-1, pages 12-13)

Auditors recommended that the Regional Office of Education #41 record interfund reimbursements as a reduction in the applicable expenditure accounts. The Regional Office should also establish procedures to ensure that transactions are properly accounted for and reported in accordance with GAAP, the Illinois Administrative Code, and the ROE Accounting Manual. If necessary, to be in conformity with GAAP, accounting and reporting guidance should be obtained from technical resources.

The Regional Office of Education #41 responded that it will establish management procedures in accordance with GAAP, the Illinois Administrative Code, and the ROE Accounting Manual to properly record interfund transfers for administrative expenditures. The Regional Office noted that it will seek guidance from technical resources to ensure accounting practices are in conformity to GAAP.

#### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #41's financial statements as of June 30, 2010 are fairly presented in all material respects.

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WILLIAM G. HOLLAND  
Auditor General

WGH:JRB

AUDITORS ASSIGNED: E.C. Ortiz & Co., LLP were our special assistant auditors.