

REPORT DIGEST

ILLINOIS MATHEMATICS AND SCIENCE ACADEMY FUND FOR ADVANCEMENT OF EDUCATION FINANCIAL AND COMPLIANCE AUDIT FOR THE TWO YEARS ENDED JUNE 30, 1995

SYNOPSIS

- In fiscal year 1995, the IMSA Fund reimbursed the Executive Director of the Illinois Math and Science Academy \$1,360 for various political contributions. The Internal Revenue Code generally prohibits not-for-profit organizations from participating in political campaigns, and election laws (federal and State) prohibit persons from making contributions in the name of another person.
- The IMSA Fund did not adequately secure bank deposits that were above the FDIC insurance limit (\$100,000). State law requires agencies to obtain collateral or security for deposits not covered by FDIC insurance.
- The IMSA Fund did not adequately document expenditures related to meals, group dinners, and stipends to Math and Science Academy employees.

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

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

EXPENDITURE OF FUNDS FOR POLITICAL PURPOSES

In fiscal year 1995, the IMSA Fund reimbursed the Executive Director of the Math and Science Academy \$1,360 for political contributions made to candidates' campaign organizations and a national political party. In addition, between fiscal years 1992 and 1994, the IMSA Fund reimbursed the Executive Director \$2,305 for other political contributions. The Executive Director initially made the contributions from personal funds and then the IMSA Fund reimbursed the Executive Director.

The Internal Revenue Code at 26 U.S.C. 501(c)(3) generally prohibits not-for-profit organizations from participating or intervening in any political campaign for public office. Additionally, federal and State election laws (10 ILCS 5/9-25 and 2 U.S.C. 441f) prohibit persons from making political contributions in the name of another person.

During the audit, the Executive Director repaid the IMSA Fund \$3,665 for political contributions for which she had received reimbursement. We recommended the IMSA Fund take action to ensure political contributions are not made or reimbursed from Fund resources. (Finding 1, page 16)

CASH DEPOSITS IN EXCESS OF AMOUNTS INSURED BY THE FDIC

The IMSA Fund did not have adequate collateral to insure State funds held in a local bank. As of June 30, 1995, the IMSA Fund had a cash balance of over \$1.3 million as recorded by the bank. Most of these funds were insured either by the Federal Deposit Insurance Corporation (FDIC) or by securities owned and pledged by the bank and held by an independent trustee. However, a balance of \$219,581 was not insured. The State Officers and Employees Money Disposition Act (30 ILCS 230/2(c)) requires that all public funds be insured.

The unsecured balance occurred because the IMSA Fund did not have policies which required periodic review of securities pledged as insurance for IMSA Fund's bank deposits. We recommended the IMSA Fund develop policies and procedures to review the adequacy of collateral pledged by a bank on a quarterly basis or each time a single deposit of \$100,000 or more is made. (Finding 2, page 19)

INADEQUATE DOCUMENTATION FOR PAYMENTS/REIMBURSEMENTS TO ACADEMY EMPLOYEES

The IMSA Fund lacked adequate documentation to support expenditures for meals, group dinners, and stipends to Academy employees. For example, the IMSA Fund made payments of \$500 each to two Academy employees. Documentation listed the payments as "stipends" but provided no other explanation. In addition, several requests for reimbursement of meals and group dinners did not contain an adequate description of the purpose of the expenditure or those who were in attendance. (Finding 3, page 21)

Failure to adequately document the reason for expenditures weakens the internal accounting control of the IMSA Fund and compromises efforts to perform an audit of the organization.

We recommended the IMSA Fund develop an improved written policy to provide guidance

regarding documentation required to support employee reimbursements.

AUDITORS' OPINION

Our auditors stated the June 30, 1995 financial statements of the Academy's Fund are fairly presented.

WILLIAM G. HOLLAND, Auditor General
WGH:JAW:pp

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>		<u>This Audit</u>		<u>Prior Audit</u>	
Audit findings	3		0		
Repeated audit findings	0		0		
Prior recommendations implemented or not repeated	0		0		

SPECIAL ASSISTANT AUDITORS

Duffner & Company, P.C. were our special assistant auditors for this audit.

ILLINOIS MATHEMATICS AND SCIENCE ACADEMY
FUND FOR THE ADVANCEMENT OF EDUCATION
FINANCIAL AUDIT
For The Two Years Ended June 30, 1995

FINANCIAL OPERATIONS (ALL FUNDS)	FY 1995	FY 1994
REVENUES		
Contributions	\$725,530	\$616,389
Investment Income	28,903	28,975
Other Revenues	<u>110,389</u>	<u>90,485</u>
Total Revenues	<u>\$864,822</u>	<u>\$735,849</u>
EXPENDITURES		
General Operating	\$ 41,883	\$ 56,522
Fundraising	102,756	46,419
Donations to Academy	<u>629,922</u>	<u>758,100</u>
Total Expenditures	<u>\$774,561</u>	<u>\$861,041</u>
SELECTED ASSET BALANCES (ALL FUNDS)	AT JUNE 30, 1995	AT JUNE 30, 1994
Cash and Investments	\$1,337,994	\$1,074,868
Contributions Receivable	349,160	599,116
Other Assets	<u>124,175</u>	<u>63,510</u>
Total Assets	<u>\$1,811,329</u>	<u>\$1,737,494</u>
CHAIRMAN OF BOARD OF DIRECTORS		
During the Audit: Mr. James R. Thompson		
Currently: Mr. James R. Thompson		
FUND DIRECTOR OF INSTITUTIONAL ADVANCEMENT		
During the Audit: Mr. Theodore Parge		
Currently: Mr. Theodore Parge		