



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #3
BOND, FAYETTE AND EFFINGHAM COUNTIES

**FINANCIAL AUDIT (In accordance with the Single
Audit Act and OMB Circular A-133)
For the Year Ended: June 30, 2011
Release Date: February 21, 2012**

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

SYNOPSIS

- The Regional Office of Education #3 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #3 had unallowable costs charged to a federal program.

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

REGIONAL OFFICE OF EDUCATION #3
BOND, FAYETTE AND EFFINGHAM 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 | \$2,551,194 | \$2,870,543 |
| Local Sources | \$527,356 | \$566,489 |
| % of Total Revenues | 20.67% | 19.73% |
| State Sources | \$1,330,103 | \$1,498,628 |
| % of Total Revenues | 52.14% | 52.21% |
| Federal Sources | \$693,735 | \$805,426 |
| % of Total Revenues | 27.19% | 28.06% |
| TOTAL EXPENDITURES | | |
| Salaries and Benefits | \$1,602,918 | \$1,572,325 |
| % of Total Expenditures | 63.90% | 58.25% |
| Purchased Services | \$543,364 | \$645,680 |
| % of Total Expenditures | 21.66% | 23.92% |
| All Other Expenditures | \$362,029 | \$481,217 |
| % of Total Expenditures | 14.43% | 17.83% |
| TOTAL NET ASSETS | | |
| | \$927,094 | \$884,211 |
| INVESTMENT IN CAPITAL ASSETS | | |
| | \$36,394 | \$56,267 |
| Percentages may not add due to rounding. | | |

| REGIONAL SUPERINTENDENT |
|--|
| During Audit Period: Honorable Mark A. Drone |
| Currently: Honorable Julie Wollerman |

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #3 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #3 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 #3 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/review 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. In their review of the Regional Office's accounting records, auditors noted that:

- The Regional Office did not have adequate controls over the maintenance of complete records of cash, accounts receivable, capital assets, accrued expenses, or deferred revenue.
- Numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.

According to Regional Office officials, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements. Additionally, adequate training from the accounting software company is not available. (Finding 11-1, pages 13-14) **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 #3 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 Superintendent responded that she understands this finding and will pursue training for the local bookkeeping personnel in order to comply with GAAP. (For previous Regional Office response, see Digest Footnote #1.)

UNALLOWABLE COSTS CHARGED TO FEDERAL PROGRAM

The Regional Office of Education #3 had unallowable costs charged to a federal program.

Regulations set forth by *OMB Circular A-87* require costs allowable under federal awards to meet the following general criteria: 1. The costs must be necessary and reasonable for proper and efficient performance of federal awards. 2. The costs must be adequately documented. The Regional Office of Education #3 was not in compliance with the requirements of the Title I-Reading First Part B SEA federal program.

In their review, auditors noted that for the Title I-Reading First Part B SEA program, 2 disbursements out of 13 did not have adequate documentation. These disbursements were to purchase \$50 and \$150 gift cards from two vendors. Regional Office officials stated the cards were given to workshop participants to purchase educational materials at a later date. However, there was no follow up documentation maintained to support what was purchased with the gift cards, whether those purchases were for allowable costs, or when the ultimate purchase was made.

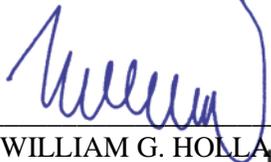
According to Regional Office officials, personnel believed that having documentation for the purchase of the gift cards was sufficient. Therefore, they did not follow the transaction documentation through to the products actually purchased with grant funds.

The auditors recommended that the Regional Office of Education #3 should obtain documentation for all grant expenditures, including items purchased with gift cards. The gift card purchases should follow OMB Circular A-87 criteria for allowable costs and should follow grant guidelines for period of availability. If the Regional Office determines it too cumbersome to obtain documentation for the gift card purchases, they should consider purchasing educational materials to distribute to the teachers at the workshops in lieu of distributing gift cards.

The Regional Superintendent responded that she agrees with this finding and will immediately remedy this situation by terminating the purchase of gift cards for teachers' use in purchasing their own materials.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #3's financial statements as of June 30, 2011 are fairly presented in all material respects.



A handwritten signature in blue ink, appearing to read 'William G. Holland', is written over a horizontal line.

WILLIAM G. HOLLAND
Auditor General

WGH:KJM

AUDITORS ASSIGNED: West & Company, LLC, were our special assistant auditors.

DIGEST FOOTNOTES

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

In the prior response in 2010, the Regional Superintendent responded that he does not have funds available to hire a certified public accountant to prepare or review financial statements. The Regional Superintendent noted that he will continue to seek training for the current bookkeeping staff to improve their understanding of accepted accounting principles and GASB pronouncements.