

REPORT DIGEST

REGIONAL OFFICE OF
EDUCATION #9

CHAMPAIGN AND FORD
COUNTIES

FINANCIAL AUDIT
(In Accordance with the
Single Audit Act and OMB
Circular A-133)

For the Year Ended:
June 30, 2009

Summary of Findings:

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

Release Date:
March 11, 2010



State of Illinois
Office of the Auditor General
WILLIAM G. HOLLAND
AUDITOR GENERAL

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Office of the Auditor General
Iles Park Plaza
740 E. Ash Street
Springfield, IL 62703
(217) 782-6046 or TTY (888) 261-2887

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SYNOPSIS

- The Regional Office of Education #9 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #9 did not consistently review or document their review of journal entries.

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

REGIONAL OFFICE OF EDUCATION #9
CHAMPAIGN AND FORD COUNTIES

FINANCIAL AUDIT
(In Accordance with the Single Audit Act and OMB Circular A-133)
For The Year Ended June 30, 2009

	FY 2009	FY 2008
TOTAL REVENUES	\$5,824,566	\$4,961,944
Local Sources	\$2,243,611	\$2,261,669
% of Total Revenues	38.52%	45.58%
State Sources	\$2,794,529	\$2,019,935
% of Total Revenues	47.98%	40.71%
Federal Sources	\$786,426	\$680,340
% of Total Revenues	13.50%	13.71%
TOTAL EXPENDITURES	\$5,578,484	\$4,660,284
Salaries and Benefits	\$3,413,283	\$2,994,802
% of Total Expenditures	61.19%	64.26%
Purchased Services	\$1,548,945	\$1,244,680
% of Total Expenditures	27.77%	26.71%
All Other Expenditures	\$616,256	\$420,802
% of Total Expenditures	11.05%	9.03%
TOTAL NET ASSETS	\$2,374,546	\$2,128,464
INVESTMENT IN CAPITAL ASSETS	\$189,828	\$176,156
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Jane Quinlan Currently: Honorable Jane Quinlan

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #9 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #9 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 #9 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 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. 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, and deferred revenue. While the Regional Office did maintain records to indicate the balances of accounts payable, accounts receivable, and deferred revenues, not all entries were made by the ROE to reconcile their grant activity, such as posting grant receivables and deferred revenues.
- The Regional Office's financial information required numerous adjusting entries to present the financial statements in accordance with generally accepted accounting principles. This included multiple adjusting entries from the prior year audit.

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. (Finding 09-1, pages 12a-12b) **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 #9 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such 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 #9 responded that it accepts the degree of risk associated with the condition because the additional expense to seek outside accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region. The Regional Office noted that it will continue to review, approve, and accept responsibility for the audit adjustments, financial statements and related notes provided by the auditors. (For previous Regional Office response, see Digest Footnote #1.)

LACK OF SUFFICIENT CONTROLS OVER JOURNAL ENTRIES

The Regional Office of Education #9 did not consistently review or document their review of journal entries.

The Regional Office of Education #9 did not consistently review or document their review of journal entries. The Regional Office is responsible for establishing and maintaining an internal control system over journal entries to prevent errors and fraud.

The Regional Office's accounting system generated a one sided journal entry during their fiscal year 2008 closing process that caused the fiscal year 2009 beginning general ledger balances to be off by \$5,364. The discrepancy was not detected by the Regional Office.

The auditors recommended that Regional Office of Education #9 should ensure that all journal entries are reviewed and approved by an individual independent of the journal entry process. Auditors also recommended that the Regional Office should review all closing and opening entries that are posted automatically by their accounting software.

The Regional Superintendent agreed with the finding.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #9's financial statements as of June 30, 2009 are fairly presented in all material respects.

WILLIAM G. HOLLAND, Auditor General

WGH:KJM

SPECIAL ASSISTANT AUDITORS

Our special assistant auditors were Kemper CPA Group, LLP.

DIGEST FOOTNOTE

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

In its prior response in 2008, the Regional Office of Education #9 responded that because of this finding in FY2007, the ROE sought training for staff. The two members of the bookkeeping staff attended training at Regional Office of Education #17 on July 14, 2008. For the first time, ROE #9 bookkeepers prepared the adjusting entries and trial balances prior to the beginning of the FY2008 audit.

The Regional Office of Education #9 noted that it accepts the degree of risk associated with the condition because the additional expense to seek outside accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region. The Regional Office noted that it will continue to review, approve, and accept responsibility for the audit adjustments, financial statements and related notes provided by the auditors.