



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #11
CLARK, COLES, CUMBERLAND, DOUGLAS, EDGAR, MOULTRIE AND
SHELBY COUNTIES

FINANCIAL AUDIT

For the Year Ended: June 30, 2013

Release Date: March 12, 2014

Summary of Findings:

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

SYNOPSIS

- The Regional Office of Education #11 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #11 did not have adequate internal control over cash.

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

REGIONAL OFFICE OF EDUCATION #11
CLARK, COLES, CUMBERLAND, DOUGLAS, EDGAR, MOULTRIE AND
SHELBY COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2013

	FY 2013	FY 2012
TOTAL REVENUES	\$2,035,838	\$2,110,537
Local Sources	\$463,151	\$500,087
% of Total Revenues	22.75%	23.69%
State Sources	\$1,493,894	\$1,530,372
% of Total Revenues	73.38%	72.51%
Federal Sources	\$78,793	\$80,078
% of Total Revenues	3.87%	3.79%
TOTAL EXPENDITURES	\$2,143,432	\$2,237,830
Salaries and Benefits	\$1,475,122	\$1,518,674
% of Total Expenditures	68.82%	67.86%
Purchased Services	\$314,635	\$353,172
% of Total Expenditures	14.68%	15.78%
All Other Expenditures	\$353,675	\$365,984
% of Total Expenditures	16.50%	16.35%
TOTAL NET POSITION	\$618,193	\$725,787
INVESTMENT IN CAPITAL ASSETS	\$13,738	\$7,369
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Dr. Bobbi Mattingly Currently: Honorable Dr. Bobbi Mattingly

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #11 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #11 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, skills and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

The Regional Office of Education #11 did not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on cash basis accounting during the fiscal year and posts year-end accrual entries for financial statement purposes. While the Regional Office maintains controls over the processing of most accounting transactions, and attempts to prepare the basic financial statements, 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.

During review of the Regional Office of Education #11's financial statements prepared by the Regional Office of Education #11, auditors noted the following:

- The Regional Office's financial information required material adjusting entries related to the conversion of its financial statements from cash to accrual basis of accounting based on documentation provided by the Regional Office in order to present its financial statements in accordance with generally accepted accounting principles. Proposed adjusting entries were approved and accepted by Regional Office management.
- In fiscal year 2013, the Regional Office was able to prepare the individual funds financial statements as well as the notes to the financial statements. However, the government-wide financial statements which include the Statement of Net Position, Statement of Activities, Governmental Funds Balance Sheet, Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Proprietary Fund Statement of Cash Flows, were not

properly prepared.

According to the Regional Office of Education #11 management, this was the Regional Office's second time preparing financial statements. Some additional experience is needed to address all disclosure issues. (Finding 2013-001, pages 9-10) **This finding was first reported in 2007.**

The auditors recommended that, as part of internal control over the preparation of financial statements, including disclosures, the Regional Office of Education #11 should continue to implement comprehensive preparation and/or review procedures to ensure that the financial statements are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of the Regional Office of Education #11's activities and operations.

The Regional Office of Education #11 responded that it understands the nature of the deficiency. The Regional Office noted that it believes that seeking additional accounting expertise in the form of another accounting firm or appropriately trained individual to prepare and/or review financial statements would reduce the funds available to provide the educational services for the schools in the region. The Regional Office also noted that it will continue to prepare the financial statements internally and continue to seek additional knowledge and training for staff members to ensure that all financial statements, including disclosures, are complete and accurate. The Regional Office responded that it accepts the degree of risk associated with this condition. (For previous Regional Office response, see Digest Footnote #1.)

INTERNAL CONTROL OVER CASH

The Regional Office of Education #11 did not have adequate internal control over cash.

The Regional Office of Education #11 is responsible for establishing and maintaining a system of internal controls over cash to prevent errors and fraud.

During review of the Regional Office of Education #11's cash records, auditors noted the following:

- Although it appears that a review of the monthly bank reconciliations are being performed, insufficient detail of outstanding deposits and checks was noted in the reconciliation that would enable replication of such review.
- During review of the year-end bank reconciliation, we noted 3 checks in the total amount of \$232 that were issued after year-end but posted to fiscal year 2013 activity.

- Bank reconciliations after year-end are not being performed until the fiscal year being audited is closed in the Regional Office of Education #11's accounting software, which is near the completion of the audit. The bank reconciliations for July 2012 through December 2012 were prepared in January 2013. In addition, the February 2013 bank reconciliation was not prepared until April 2013, the March 2013 bank reconciliation was not prepared until May 2013, and the May 2013 bank reconciliation was not prepared until July 2013. Although the original bank reconciliation for June 2013 was prepared in July 2013, the printed reconciliation in the file did not reconcile to the bank balance by \$232.

According to the Regional Office of Education #11 management, they were unable to complete the reconciliations for July 2012 through December 2012 because the accounting records were not closed due to the ongoing audit. The other bank reconciliations that were not prepared timely were due to management oversight. (Finding 2013-002, pages 11-12)

The auditors recommended that as part of internal control over cash, the Regional Office of Education #11 should prepare monthly bank reconciliations when bank statements are received. The supporting documentation for the bank reconciliations should include an outstanding check and deposit list that agrees to the bank reconciliation.

The Regional Office of Education #11 responded that it recognizes the need for changes to controls over cash. The Regional Office will implement additional controls so that the instances noted in the finding do not occur in the future.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #11's financial statements as of June 30, 2013 are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:KJM

AUDITORS ASSIGNED: Doehring, Winders & Co. LLP were our special assistant auditors.

DIGEST FOOTNOTE

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

In its prior response in 2012, the Regional Office of Education #11 responded that it understands the nature of the deficiency. The Regional Office noted that it believes that seeking additional accounting expertise in the form of another accounting firm or appropriately trained individual to prepare and/or review financial statements would reduce the funds available to provide the educational services for the schools in the region. The Regional Office also noted that it will continue to prepare the financial statements internally and continue to seek additional knowledge and training for staff members to ensure that all financial statements, including disclosures, are complete and accurate. The Regional Office responded that it accepts the degree of risk associated with this condition.