



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #13
CLINTON/MARION/WASHINGTON COUNTIES

FINANCIAL AUDIT
For the Year Ended: June 30, 2011

Release Date: May 24, 2012

Summary of Findings:

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

SYNOPSIS

- The Regional Office of Education #13 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #13 did not record a bank account in its general ledger.

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

REGIONAL OFFICE OF EDUCATION #13
CLINTON/MARION/WASHINGTON COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2011

	FY 2011	FY 2010
TOTAL REVENUES	\$2,201,071	\$3,430,132
Local Sources	\$497,685	\$625,275
% of Total Revenues	22.61%	18.23%
State Sources	\$1,301,311	\$2,386,885
% of Total Revenues	59.12%	69.59%
Federal Sources	\$402,075	\$417,972
% of Total Revenues	18.27%	12.19%
TOTAL EXPENDITURES	\$2,401,429	\$3,106,448
Salaries and Benefits	\$1,854,701	\$2,422,937
% of Total Expenditures	77.23%	78.00%
Purchased Services	\$361,208	\$448,665
% of Total Expenditures	15.04%	14.44%
All Other Expenditures	\$185,520	\$234,846
% of Total Expenditures	7.73%	7.56%
TOTAL NET ASSETS	\$1,413,816	\$1,614,174
INVESTMENT IN CAPITAL ASSETS	\$34,530	\$79,551
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Keri Garrett
Currently: Honorable Keri Garrett

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #13 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #13 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 #13 did not have sufficient internal controls over the financial reporting process. The Regional Office maintains its 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 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, capital assets, 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. (Finding 11-01, page 11-12) **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 #13 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 #13 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an entity of this size. The Regional Office accepts the degree of risk associated with this condition because the added expense of seeking additional accounting expertise to prepare and/or review financial statements would take away from the funds available to provide education services for the schools in the region.

The Regional Office noted that in an attempt to correct this finding, it sent the ROE Controller to various trainings to better understand accrual accounting and reporting under generally accepted accounting principles (GAAP). (For previous Regional Office response, see Digest Footnote #1.)

CASH ACCOUNT NOT RECORDED ON THE BOOKS

The Regional Office of Education #13 did not record a bank account in its general ledger.

Good business practices and sound internal controls require accounting records to be accurate and complete by recording all assets and transactions of the entity.

During testing of cash accounts, auditors noted one bank account with a balance of \$3,725 as of June 30, 2011, not recorded in the general ledger. This account, and its activity for the year ended June 30, 2011, was included in the financial statements through adjusting journal entries proposed during the audit. Assets and revenues were understated by \$3,725.

The Regional Office of Education #13 used an Illinois Funds E-pay account in which teachers can electronically pay for teaching certificates renewals. This revenue and cash had not been recorded in the general ledger or transferred to the pooled cash account in a timely manner. (Finding 11-02, page 13)

The auditors recommended that the Regional Office of Education #13 should routinely record all bank accounts and their activity in the general ledger.

The Regional Office of Education #13 responded that in the past, monies in its Illinois Funds E-pay account have been periodically transferred to its local bank account. The Regional Office noted that during FY11 the transfer was done only one time. The Regional Office also noted that in the future, the E-pay account will be monitored closely and funds will be transferred to its local account on a regular basis.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #13's financial statements as of June 30, 2011 are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:JRB

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

DIGEST FOOTNOTES

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

In its prior response in 2010, the Regional Office of Education #13 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an entity of this size. The Regional Office accepts the degree of risk associated with this condition because the added expense of seeking additional 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 in an attempt to correct this finding, it sent the ROE Controller to various trainings to better understand accrual accounting and reporting under generally accepted accounting principles (GAAP).