



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #22
FULTON AND SCHUYLER COUNTIES

FINANCIAL AUDIT
For the Year Ended: June 30, 2011

Release Date: May 9, 2012

Summary of Findings:

| | |
|----------------------------------|----------|
| Total this audit: | 2 |
| Total last audit: | 3 |
| Repeated from last audit: | 2 |

SYNOPSIS

- The Regional Office of Education #22 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #22 did not report expenditures according to grant agreements.

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

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #22 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #22 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 #22 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 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's financial information required numerous adjusting entries to present the financial statements in accordance with generally accepted accounting principles.
- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or deferred revenue. While the Regional Office did maintain records to indicate the balances of accounts payable, accounts receivable, and deferred revenue, no entries were provided to reconcile the Regional Office of Education #22's grant activity, such as posting grant receivables and deferred revenue.

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, pages 10a-10b) **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 #22 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 #22 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization 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 educational services for the schools in the region. The Regional Office responded that in an attempt to correct this finding the Regional Office will continue to send the Controller to various trainings to better understand accrual accounting and reporting under generally accepted accounting principles (GAAP). In addition, the Regional Office made an attempt to solicit help in preparing financial statements from the new County accountant. The Regional Office noted that the County accountant has since resigned and the position has not been filled. That source is no longer available to the Regional Office. (For previous Regional Office response, see Digest Footnote #1.)

The Regional Office of Education #22 did not report expenditures according to grant agreements.

EXPENDITURE REPORTING

Grant agreements require the Regional Office to report actual expenditures incurred rather than reporting expenditures based on the amount budgeted in the grant agreement. Currently the Regional Office does not document the time and effort of employees that work for or are paid from multiple grants so the salary can be allocated to the grants based on actual costs. Grant programs may have been over or under allocated for salary and benefits.

According to Regional Office officials, they did not formally document the time and effort of employees paid from multiple grants. (Finding 11-02, page 10c)

The auditors recommended that the Regional Office should formally document the time and efforts spent on each grant for employees paid from multiple grant sources and allocate actual costs to each grant accordingly.

The Regional Superintendent of the Regional Office of Education #22 responded that he agrees with the auditor's recommendation. The Regional Office noted that it has been able to immediately implement for FY 2012, the needed

change of tracking method unavailable for the one grant employee for FY 2011. The Regional Office also noted that a time and effort has been established for this employee.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #22's financial statements as of June 30, 2011 are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

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AUDITORS ASSIGNED: Kemper CPA Group, LLP 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 #22 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization 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 educational services for the schools in the region. The Regional Office responded that in an attempt to correct this finding the Regional Office sent the controller to various trainings to better understand accrual accounting and reporting under generally accepted accounting principles (GAAP). In addition, the Regional Office will solicit help in preparing financial statements from the new County accountant.