



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #31
KANE COUNTY

**FINANCIAL AUDIT (In accordance with the Single
Audit Act and OMB Circular A-133)
For the Year Ended: June 30, 2010
Release Date: June 28, 2011**

Summary of Findings:
Total this audit: 2
Total last audit: 0
Repeated from last audit: 0

SYNOPSIS

- The Regional Office of Education #31 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #31 did not record revenues and expenditures in the correct fiscal period in accordance with generally accepted accounting principles.

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

REGIONAL OFFICE OF EDUCATION #31
KANE COUNTY

FINANCIAL AUDIT
(In Accordance with the Single Audit Act and OMB Circular A-133)
For The Year Ended June 30, 2010

	FY 2010	FY 2009
TOTAL REVENUES	\$5,119,337	\$4,489,293
Local Sources	\$688,814	\$608,347
% of Total Revenues	13.46%	13.55%
State Sources	\$3,278,598	\$3,002,487
% of Total Revenues	64.04%	66.88%
Federal Sources	\$1,151,925	\$878,459
% of Total Revenues	22.50%	19.57%
TOTAL EXPENDITURES	\$4,285,354	\$4,179,185
Salaries and Benefits	\$2,043,231	\$1,950,000
% of Total Expenditures	47.68%	46.66%
Purchased Services	\$1,172,418	\$1,138,548
% of Total Expenditures	27.36%	27.24%
All Other Expenditures	\$1,069,705	\$1,090,637
% of Total Expenditures	24.96%	26.10%
TOTAL NET ASSETS	\$3,807,258 ¹	\$2,919,396
INVESTMENT IN CAPITAL ASSETS	\$86,928 ²	\$143,164 ²
¹ Includes a \$53,879 restatement to the FY 2010 beginning net asset balance. ² Capital asset amounts include debt associated with a capital lease. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Douglas Johnson Currently: Honorable Douglas Johnson

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #31 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #31 is required to maintain a system of controls over the preparation of financial statements, including disclosures, 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 #31 did not have sufficient internal controls over the financial reporting process. 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.

Auditors, in their review of the Regional Office's accounting records, noted numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles. Management did not effectively detect all the material adjustments needed in order to present financial statements in accordance with GAAP. (Finding 10-1, pages 12-13)

The auditors recommended that, as part of its internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education #31 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 #31 responded that, beginning with the FY 2011 Audit, it will begin preparing all financial statements in accordance with Generally Accepted Accounting Principles (GAAP) and using all GASB

Pronouncements when required. The ROE noted that additional training for the Director of Finance through seminars and webinars will be done as needed.

The Regional Office of Education #31 did not record revenues and expenditures in the correct fiscal period in accordance with generally accepted accounting principles.

CONTROLS OVER RECORDING GRANT PROGRAMS

The Regional Office of Education #31 did not record revenues and expenditures in the correct fiscal period in accordance with generally accepted accounting principles (GAAP). The Regional Office of Education Accounting Manual states that separate funds or separate source of fund codes should be used to account for resources of a program or activity that are restricted to spending of a specified type or for a specified purpose.

The Regional Office uses its accounting system to record activity in its funds based on the grant period rather than the fiscal period. The Regional Office posted grant activity to a single fiscal year regardless of when revenue or expenditures were actually incurred or recognized (grant period basis). As a result, revenues or expenditures that should be posted to the current fiscal year, based on GAAP, were posted to a prior or subsequent year.

The trial balance provided by the Regional Office of Education #31 was not in accordance with GAAP. ROE management uses the accounting system to record activity for an entire grant period for some grants, as opposed to a fiscal period. (Finding 10-2, pages 14-15).

The auditors recommended that the Regional Office of Education #31 should ensure their accounting records are maintained in accordance with GAAP. The Regional Office should ensure accounting records for the fiscal year include all appropriate revenues and expenditures and exclude revenues and expenditures that were incurred or recognized in a different fiscal year. The Regional Office should establish an accounting system that will be able to reflect accurate activity for the fiscal year and also allow management to monitor grant activity.

The Regional Office of Education #31 responded that, beginning with the FY 2011 Audit, all accounting records will be maintained in accordance with GAAP (Generally Accepted Accounting Principles). The ROE noted that all accruals for revenues and expenses received that is specific for the fiscal year ending June 30th will be recorded in that grant year with a reversing entry done in the next fiscal year. The Regional Office noted that the trial balance used by the ROE is solely intended to help prepare the financial statements for each year's audit.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #31's financial statements as of June 30, 2010 are fairly presented in all material respects.

WILLIAM G. HOLLAND
Auditor General

WGH:KJM

AUDITORS ASSIGNED: Winkel, Parker & Foster, CPA PC
were our special assistant auditors.