



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

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**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, 2012  
Release Date: July 11, 2013**

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

**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 have accurate expenditure reports.

{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, 2012**

	<b>FY 2012</b>	<b>FY 2011</b>
<b>TOTAL REVENUES</b>	\$4,705,222	\$5,418,734
Local Sources	\$752,431	\$1,106,274
% of Total Revenues	15.99%	20.42%
State Sources	\$3,014,608	\$2,782,893
% of Total Revenues	64.07%	51.36%
Federal Sources	\$938,183	\$1,529,567
% of Total Revenues	19.94%	28.23%
<b>TOTAL EXPENDITURES</b>	\$3,836,905	\$4,338,976
Salaries and Benefits	\$2,312,018	\$2,010,266
% of Total Expenditures	60.26%	46.33%
Purchased Services	\$1,030,636	\$1,398,999
% of Total Expenditures	26.86%	32.24%
All Other Expenditures	\$494,251	\$929,711
% of Total Expenditures	12.88%	21.43%
<b>TOTAL NET ASSETS</b>	\$6,080,471	\$5,212,154
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$93,728 <sup>1</sup>	\$72,000 <sup>1</sup>
<sup>1</sup> Capital asset amounts include debt associated with a capital lease. Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Douglas Johnson (Retired February 28, 2012)
Currently: Honorable Patricia Dal Santo (Effective May 14, 2012)

**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 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 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 and correct 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. (Finding 12-1, pages 12-13) **This finding was first reported in 2010.**

The auditors recommended that, as part of internal control over the preparation of 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's activities and operations.

The Regional Office of Education #31 responded that the Business Office will provide financial statements on a regular and ongoing basis to the Superintendent and all required regulatory agencies in a timely manner. Grant managers will be involved on a regular basis in the review of their respective grant expenditure reports and submissions to ISBE. The Regional Office stated that the new Finance Director is a CPA and will schedule training as necessary to best serve the ROE and the grants that support the ROE. (For previous Regional Office response, see Digest Footnote #1.)

## INACCURATE EXPENDITURE REPORTS

### **The Regional Office of Education #31 did not have accurate expenditure reports.**

Good business practices dictate that proper internal controls, such as management review and approval of expenditure reports submitted to granting agencies, should be in place. Amounts submitted on grant expenditure reports to granting agencies should be in agreement and reconcile with the general ledger.

The Regional Office of Education # 31 does not have adequate controls in place to ensure amounts submitted on grant expenditure reports are in agreement and reconcile with the general ledger. During review of expenditure reports, auditors noted the following

- The expenditure report submitted for the grant period ending June 30, 2012, for the Technology for Success grant, which was received from the Illinois State Board of Education, was inaccurately reported. When compared to expenditures recorded in the general ledger, all categories were inaccurately reported. In total, actual expenditures recorded in the general ledger were \$1,964 less than the amount reported in the expenditure report.
- The expenditure report submitted for the grant period ending June 30, 2012, for the ROE/ISC Operations grant, which was received from the Illinois State Board of Education, was inaccurately reported. When compared to expenditures recorded in the general ledger, all categories were inaccurately reported. In total, actual expenditures recorded in the general ledger were \$8,457 less than the amount reported in the expenditure report.
- The expenditure report submitted for the grant period ending June 30, 2012, for the Truants Alternative Optional Education Program grant, which was received from the Illinois State Board of Education, was inaccurately reported. In total, actual expenditures recorded in the general ledger were in excess of the amounts reported in the expenditure report.
- The expenditure report submitted for the grant period ending June 30, 2012, for the Regional Safe Schools grant, which was received from the Illinois State Board of Education, was inaccurately reported. When compared to expenditures recorded in the general ledger, all categories were inaccurately reported. In total, actual expenditures recorded in the general ledger were \$7,366 less than the amount reported in the expenditure report.

- The total of expenditure reports submitted for fiscal year 2012 for the Title I-School Improvement & Accountability grant, which was received from the Will County Regional Office of Education #56, was inaccurately reported. In total, actual expenditures recorded in the general ledger were \$33,244 less than the amounts reported in the expenditure report.

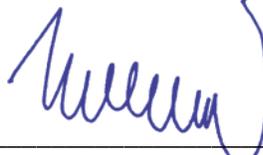
According to Regional Office officials, adjustments were made to the general ledger subsequent to the submission of expenditure reports. Therefore, expenditure reports submitted did not agree and reconcile with amounts recorded in the general ledger. (Finding 12-2, pages 14-16).

The auditors recommended that the Regional Office of Education #31 should contact granting agencies and reimburse excess funds due to the inaccurate expenditure reports. In the future, the Regional Office of Education #31's management should review expenditure reports and supporting documentation prior to submission to granting agencies to ensure that expenditures were actually incurred, allowable, and properly classified. Supporting expenditure documentation and indication of management's review should be included with a copy of the report and available for subsequent internal and external review and analysis. If adjustments are made to the general ledger subsequent to submission of the expenditure reports, the Regional Office of Education should contact the granting agencies to determine the need to amend its expenditure reports.

The Regional Office of Education #31 responded that the Business Office will provide financial statements on a regular and ongoing basis to the Superintendent and all required regulatory agencies in a timely manner. The Regional Office stated that grant managers will be involved on a regular basis in the review of their respective grant expenditure reports and submissions to ISBE. Submissions to granting agencies will match the general ledger and be filed with the confirmation reports as supporting documentation. The ROE noted that year-end reporting will include additional review of expenditures for proper allocation of expenditures between grant years.

## **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #31's financial statements as of June 30, 2012 are fairly presented in all material respects.



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WILLIAM G. HOLLAND  
Auditor General

WGH:KJM

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

## **DIGEST FOOTNOTE**

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

In its prior response in 2011, the Regional Office of Education #31 responded that the Finance Office under the direction of the Financial Director will be responsible to provide accurate and complete financial statements. The Regional Office noted that working with the ROE Superintendent and appropriate personnel, a regular and ongoing review of financial statements will be conducted periodically during each fiscal year. The ROE noted that the goal will be to insure that financial statements are accurate and completed on a timely basis. Grant Managers and Project Managers will be involved in the review of their respective financial documents. The Regional Office noted that the audit will be scheduled at a time when the final fiscal year reports have been completed and reviewed by the appropriate staff and necessary materials prepared for auditors review. The Regional Office also noted that the appropriate Financial Office personnel, including the Financial Director, will be scheduled to receive training necessary to effectively incorporate GAAP into daily operations.