



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #32
IROQUOIS AND KANKAKEE COUNTIES

**FINANCIAL AUDIT (In Accordance with the Single
Audit Act and OMB Circular A-133)
For the Year Ended: June 30, 2012
Release Date: March 21, 2013**

Summary of Findings:
Total this audit: 2
Total last audit: 4
Repeated from last audit: 2

SYNOPSIS

- The Regional Office of Education #32 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #32 did not have proper support for amounts claimed on expenditure reports.

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

REGIONAL OFFICE OF EDUCATION #32
IROQUOIS/KANKAKEE COUNTIES

FINANCIAL AUDIT
(In Accordance with the Single Audit Act and OMB Circular A-133)
For The Year Ended June 30, 2012

	FY 2012	FY 2011
TOTAL REVENUES	\$4,536,469	\$5,528,297
Local Sources	\$909,826	\$899,387
% of Total Revenues	20.06%	16.27%
State Sources	\$2,065,669	\$2,670,069
% of Total Revenues	45.53%	48.30%
Federal Sources	\$1,560,974	\$1,958,841
% of Total Revenues	34.41%	35.43%
TOTAL EXPENDITURES	\$4,102,066	\$4,960,533
Salaries and Benefits	\$2,717,903	\$3,089,228
% of Total Expenditures	66.26%	62.28%
Purchased Services	\$511,312	\$684,682
% of Total Expenditures	12.46%	13.80%
All Other Expenditures	\$872,851	\$1,186,623
% of Total Expenditures	21.28%	23.92%
TOTAL NET ASSETS	\$3,571,701	\$3,137,298
INVESTMENT IN CAPITAL ASSETS	\$0	\$0
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Kathleen Pangle (retired December 31, 2011) Honorably Gregg Murphy (effective January 10, 2012)
Currently: Honorable Gregg Murphy

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**CONTROLS OVER FINANCIAL STATEMENT
PREPARATION**

The Regional Office of Education #32 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #32 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 #32 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 were not sufficient controls over the preparation of the GAAP based financial statements and the Schedule of Federal Expenditures 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 the following:

- Several adjustments were necessary to properly record prior year proposed audit entries.
- 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 some accounts payable, accounts receivable, and deferred revenue, the Regional Office's financial information required several adjusting entries to present the financial statements in accordance with generally accepted accounting principles.

According to Regional Office officials, they did not have adequate funding to hire a certified public accountant or other qualified and trained financial professionals as full-time staff. (Finding 12-01, page 12a) **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 #32 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 #32 responded that in an attempt to correct this finding, the Regional Office will send its fiscal staff 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.)

IMPROPER SUPPORT FOR AMOUNTS CLAIMED ON EXPENDITURE REPORTS

The Regional Office of Education #32 did not have proper support for amounts claimed on expenditure reports.

The Regional Office of Education #32 is responsible for establishing and maintaining an internal control system over receipts and disbursements sufficient to prevent errors and fraud in its completion of quarterly expenditure reports required for grants administered by the Illinois State Board of Education.

The Regional Office of Education #32's internal controls over compliance were weak in relation to subrecipient monitoring. During their review, auditors noted that 1 subrecipient reimbursement payment out of 40 (2.5%) had insufficient supporting documentation for reimbursement request totaling \$72,489. As a result of the audit, Regional Office personnel contacted the subrecipient and were able to subsequently obtain appropriate supporting documentation for the reimbursement payment.

Lack of appropriate documentation for reimbursements could result in potential noncompliance with grant requirements. According to Regional Office officials, the failure to obtain proper support was due to oversight by Regional Office personnel. (Finding 12-02, page 12b) **This finding was first reported in 2010.**

Auditors recommended that the Regional Office should obtain proper documentation for all subrecipient reimbursement requests including ensuring that purchase orders and invoices agree and that reimbursements are based only on valid vendor invoices and not purchase orders.

The Regional Office of Education #32 responded that it agrees with the finding. The Regional Office noted that it has taken

steps to address the procedures related to this finding. The ROE noted that employees as well as outside entities participating in grant activities have received reminders of proper procedures for reimbursement for business related expenses. The Regional Office also noted that it will continue to work to share proper procedure reminders with employees and other entities. (For previous Regional Office response, see Digest Footnote #2.)

AUDITORS' OPINION

Our auditors state the Regional Office of Education #32's financial statements as of June 30, 2012 are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:JRB

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 2011, the Regional Office of Education #32 responded that in an attempt to correct this finding, the Regional Office will send its fiscal staff to various trainings to better understand accrual accounting and reporting under generally accepted accounting principles (GAAP).

#2: Improper Support for Amounts Claimed on Expenditure Reports

In its prior response in 2011, the Regional Office of Education #32 responded that it agrees with the finding. The Regional Office noted that the I-KAN Regional Office of Education has taken steps to address the procedures related to this finding. The ROE noted that employees as well as outside entities participating in grant activities have received reminders of proper procedures for reimbursement for business related expenses. The Regional Office also noted that it will continue to work to share proper procedure reminders with employees and other entities.