



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #33
KNOX COUNTY

FINANCIAL AUDIT
For the Year Ended: June 30, 2012

Release Date: July 11, 2013

Summary of Findings:

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

SYNOPSIS

- The Regional Office of Education #33 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #33 did not fully insure and collateralize cash balances.

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

REGIONAL OFFICE OF EDUCATION #33
KNOX COUNTY

FINANCIAL AUDIT
For The Year Ended June 30, 2012

	FY 2012	FY 2011
TOTAL REVENUES	\$713,370	\$788,434
Local Sources	\$73,722	\$60,071
% of Total Revenues	10.33%	7.62%
State Sources	\$606,725	\$573,495
% of Total Revenues	85.05%	72.74%
Federal Sources	\$32,923	\$154,868
% of Total Revenues	4.62%	19.64%
TOTAL EXPENDITURES	\$752,261	\$794,892
Salaries and Benefits	\$627,636	\$643,687
% of Total Expenditures	83.43%	80.98%
Purchased Services	\$93,219	\$102,626
% of Total Expenditures	12.39%	12.91%
All Other Expenditures	\$31,406	\$48,579
% of Total Expenditures	4.17%	6.11%
TOTAL NET ASSETS	\$83,944	\$122,835
INVESTMENT IN CAPITAL ASSETS	\$8,779	\$13,799
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Bonnie L. Harris
Currently: Honorable Bonnie L. Harris

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #33 did not have sufficient internal controls over the financial reporting process.

The Knox County Regional Office of Education #33 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 #33 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 ROE's accounting records, noted the following:

- The Regional Office did not maintain adequate controls over the financial reporting process and adjustments were required to present financial statements in accordance with generally accepted accounting principles.
- The Regional Office did not maintain complete records of accounts receivable, accounts payable or deferred revenue.

According to Regional Office officials, they did not have adequate funding to hire and/or train their accounting personnel in order to maintain a system of internal control over the preparation of financial statements in accordance with GAAP. (Finding 12-1, pages 10-11) **This finding was first reported in 2007.**

The auditors recommended that, as part of its internal control over the preparation of financial statements, including disclosures, the Knox County Regional Office of Education #33 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 #33 responded that it has limited funds to hire additional personnel to perform all of the procedures necessary to insure that the financial statements including disclosures are complete and accurate. The Regional Office stated that it will continue to try to employ someone who can implement a review procedure to ensure that the financial statements and disclosures are complete and accurate. (For previous Regional Office response, see Digest Footnote #1.)

FAILURE TO FULLY INSURE AND COLLATERALIZE CASH BALANCES

The Regional Office of Education #33 did not fully insure and collateralize cash balances.

The Public Funds Deposit Act (30 ILCS 225/1) gives the Knox County Regional Office of Education #33 (ROE) the authorization to request financial institutions to pledge collateral for deposits in excess of the federally insured limit. In addition, prudent business practice requires that all cash and investments held by financial institutions for the ROE be adequately covered by depository insurance or collateral.

As of June 30, 2012, the ROE had two cash accounts with bank balances totaling \$361,137 at one financial institution. The Federal Deposit Insurance Corporation (FDIC) covers up to a maximum of \$250,000. The ROE did not have depository insurance or collateral for the remaining \$111,137.

According to Regional Office officials, the unsecured deposits were an oversight. The account that caused the overage was new for the fiscal year ended June 30, 2012. Due to the timing of the last receipt into the account, the monies had not yet been disbursed, causing the uninsured amount at June 30, 2012. (Finding 12-2, page 12)

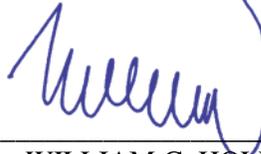
The auditors recommended that the Regional Office of Education #33 should monitor the bank balances on all accounts and work with the financial institution to provide collateral or enter into an agreement with the financial institution to have the cash balances monitored for adequate collateral periodically and adjusted as necessary.

The Regional Office of Education #33 responded that this was oversight on the part of management. After the Regional Office was notified of this issue, they immediately contacted the bank and now have an agreement with the financial

institution to ensure that the cash balances are monitored for adequate collateral periodically and adjusted when necessary.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #33's financial statements as of June 30, 2012 are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:JRB

AUDITORS ASSIGNED: Sulaski and Webb, CPAs 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 #33 responded that due to limited funds, it is not able to hire and train accounting personnel in order to maintain a system of internal control over the preparation of financial statements in accordance with generally accepted accounting principles.