

REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #38

LOGAN/MASON/MENARD COUNTIES

FINANCIAL AUDIT

For the Year Ended:
June 30, 2009

Summary of Findings:

Total this audit	2
Total last audit	2
Repeated from last audit	2

Release Date:
March 30, 2010



State of Illinois
Office of the Auditor General
WILLIAM G. HOLLAND
AUDITOR GENERAL

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SYNOPSIS

- The Regional Office of Education #38 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #38's funds deposited at a financial institution exceeded the Federal Deposit Insurance Corporation (FDIC) insured limit by as much as \$22,564 and no additional collateral was obtained.

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

REGIONAL OFFICE OF EDUCATION #38
LOGAN/MASON/MENARD COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2009

	FY 2009	FY 2008
TOTAL REVENUES	\$447,879	\$468,235
Local Sources	\$141,460	\$153,237
% of Total Revenues	31.58%	32.73%
State Sources	\$295,229	\$303,708
% of Total Revenues	65.92%	64.86%
Federal Sources	\$11,190	\$11,290
% of Total Revenues	2.50%	2.41%
TOTAL EXPENDITURES	\$455,799	\$475,594
Salaries and Benefits	\$393,355	\$408,499
% of Total Expenditures	86.30%	85.89%
Purchased Services	\$38,456	\$41,863
% of Total Expenditures	8.44%	8.80%
All Other Expenditures	\$23,988	\$25,232
% of Total Expenditures	5.26%	5.31%
TOTAL NET ASSETS	\$156,780	\$163,534
INVESTMENT IN CAPITAL ASSETS	\$7,071	\$7,828
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Jean Anderson Currently: Honorable Jean Anderson

**FINDINGS, CONCLUSIONS AND
RECOMMENDATIONS**

**INTERNAL CONTROL OVER FINANCIAL
STATEMENT PREPARATION**

The Regional Office of Education #38 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #38 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 #38 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.

In their review of the Regional Office's accounting records, auditors noted that numerous adjustments were required to present financial statements in accordance with GAAP. In addition, the financial statements did not contain disclosures as required by GAAP.

Regional Office officials stated they were aware of their responsibility to properly prepare financial statements in accordance with GAAP and are taking steps to ensure they are prepared on a timely basis. (Finding 09-1, pages 12 and 13) **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 #38 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 #38 responded that it understands the nature of this finding and realizes the circumstance is not unusual in an organization of its size. Management is currently confident with the abilities of the accounting staff to prepare cash basis financial information as needed for reporting throughout the year. Management will review year end reporting controls annually and investigate the cost of training staff to reach an appropriate level of expertise to do a comprehensive preparation and/or review of financial statements. Management will pursue additional training when it is considered cost beneficial since training costs would take away from the funds available to provide educational services for the schools in the region. (For previous Regional Office response, see Digest Footnote #1.)

UNINSURED DEPOSITS IN BANK

The Regional Office of Education #38's funds deposited at a financial institution exceeded the Federal Deposit Insurance Corporation (FDIC) insured limit by as much as \$22,564 and no additional collateral was obtained.

The Regional Office of Education #38's funds deposited at a financial institution exceeded the Federal Deposit Insurance Corporation (FDIC) insured limit by as much as \$22,564 and no additional collateral was obtained. During fiscal year 2009, this occurred for three months.

The Public Funds Deposit Act, (30 ILCS 225/1) gives the authorization for deposits in excess of the federally insured limit to be covered by pledged collateral held by the financial institutions' trust departments in the Regional Office of Education #38's name. In addition, prudent business practice requires that all deposits held by financial institutions for the Regional Office of Education #38 be adequately covered by depository insurance or

collateral. (Finding 09-2, page 14) **This finding was first reported in 2007.**

The auditors recommended that the Regional Office of Education #38 should periodically monitor the amount of collateral held on deposits to ensure that an adequate amount is maintained.

The Regional Office of Education #38 responded that it agrees with the finding. The ROE noted that in the early part of FY 2009, it established a separate account in a different bank to accommodate the new GED testing program which ensures that the largest deposit in the account in question will not exceed \$250,000. Therefore the ROE noted that the current FDIC insurance limits should cover deposits, since GED funds no longer share a bank account with any other funds. However, appropriate collateralization of accounts has been confirmed by the ROE, in the unlikely event that deposits might exceed the FDIC limitations. (For previous Regional Office response, see Digest Footnote #2.)

AUDITORS' OPINION

Our auditors state the Regional Office of Education #38's financial statements as of June 30, 2009 are fairly presented in all material respects.

WILLIAM G. HOLLAND, Auditor General

WGH:JRB

SPECIAL ASSISTANT AUDITORS

Our special assistant auditors were Kyle E. McGinnis.

DIGEST FOOTNOTES

#1: Internal Control Over Financial Statement Preparation - Previous Regional Office Response

In its prior response in 2008, the Regional Office of Education #38 responded that it understands the nature of this finding and realizes the circumstance is not unusual in an organization of its size. Management is currently confident with the abilities of the accounting staff to prepare cash basis financial information as needed for reporting throughout the year. Management will review year end reporting controls annually and investigate the cost of training staff to reach an appropriate level of expertise to do a comprehensive preparation and/or review of financial statements. Management will pursue additional training when it is considered cost beneficial since training costs would take away from the funds available to provide educational services for the schools in the region.

#2: Uninsured Deposits in Bank - Previous Regional Office Response

In its prior response in 2008, the Regional Office of Education #38 responded that it agrees with the finding and that appropriate collateralization of accounts has been confirmed by the ROE. A separate account has been established in a different bank to accommodate the ROE's new G.E.D. testing program; as a result, G.E.D. funds no longer share a bank account with any other funds. Finally, the increase in the FDIC insurance limits should cover the Regional Office of Education #38's deposits.