

REPORT DIGEST

REGIONAL OFFICE OF
EDUCATION #47

LEE AND OGLE
COUNTIES

FINANCIAL AUDIT
(In Accordance with the
Single Audit Act and OMB
Circular A-133)

For the Year Ended:
June 30, 2009

Summary of Findings:

Total this audit	2
Total last audit	1
Repeated from last audit	0

Release Date:
July 15, 2010



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

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SYNOPSIS

- The Regional Office of Education #47 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #47 did not obtain and review audit reports for sub-recipients of the federal McKinney Education for Homeless Children Program.

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

REGIONAL OFFICE OF EDUCATION #47
LEE AND OGLE COUNTIES

FINANCIAL AUDIT
(In Accordance with the Single Audit Act and OMB Circular A-133)
For The Year Ended June 30, 2009

	FY 2009	FY 2008
TOTAL REVENUES	\$2,583,441	\$2,515,105
Local Sources	\$492,971	\$458,650
% of Total Revenues	19.08%	18.24%
State Sources	\$1,367,800	\$1,392,428
% of Total Revenues	52.94%	55.36%
Federal Sources	\$722,670	\$664,027
% of Total Revenues	27.97%	26.40%
TOTAL EXPENDITURES	\$2,599,473	\$2,497,435
Salaries and Benefits	\$1,247,713	\$1,154,830
% of Total Expenditures	48.00%	46.24%
Purchased Services	\$686,935	\$671,493
% of Total Expenditures	26.43%	26.89%
All Other Expenditures	\$664,825	\$671,112
% of Total Expenditures	25.58%	26.87%
TOTAL NET ASSETS	\$481,138	\$497,170
INVESTMENT IN CAPITAL ASSETS	\$41,659	\$66,640
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Amy Jo Clemens
Currently: Honorable Amy Jo Clemens

**FINDINGS, CONCLUSIONS AND
RECOMMENDATIONS**

**CONTROLS OVER FINANCIAL STATEMENT
PREPARATION**

The Regional Office of Education #47 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #47 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 #47 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.

Auditors, in their review of the Regional Office's accounting records, noted that adjustments were required to present financial statements in accordance with generally accepted accounting principles. Management prepared a listing of adjustments needed to present the financial statements in accordance with generally accepted accounting principles. Management's review process of this listing, however, did not effectively detect all of the material adjustments needed. (Finding 09-1, 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 #47 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 #47 responded that as part of its internal control over the preparation of its financial statements, the Regional Office has implemented a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate on a monthly basis. The Regional Superintendent will continue to review all financial statements (including accruals) striving to be as accurate as possible, hoping to eliminate this finding in the future.

INADEQUATE CONTROLS OVER SUBRECIPIENT MONITORING

The Regional Office of Education #47 did not obtain and review audit reports for sub-recipients of the federal McKinney Education for Homeless Children Program.

The Regional Office of Education #47 did not obtain and review audit reports for sub-recipients of the federal McKinney Education for Homeless Children Program.

OMB Circular A-133 Compliance Supplement Part III requires that the Regional Office of Education #47 be responsible for: (1) ensuring that sub-recipients expending \$500,000 or more in federal awards during the sub-recipient's fiscal year have met the audit requirements of OMB Circular A-133; (2) issuing a management decision on audit findings within 6 months after receipt of the sub-recipient's audit report; and (3) ensuring that the sub-recipient takes timely and appropriate corrective action on all audit findings. OMB Circular A-133 also requires that the Regional Office must evaluate the impact of sub-recipient activities on the pass-through entity's ability to comply with applicable federal regulations.

The Regional Office did not obtain and review audit reports required in the monitoring of McKinney Education for Homeless Children Program fund sub-recipients to ensure the required audits were completed and

noncompliance, if any, was noted. In addition, the Regional Office did not ensure that sub-recipients took timely and appropriate corrective action on all findings noted.

Not obtaining and reviewing audit reports could result in the Regional Office not being properly informed of noncompliance in order to follow up with timely and appropriate corrective actions, as well as evaluating the impact on the Regional Office's records.

Regional Office of Education #47 was unaware of the requirements associated with obtaining and reviewing the sub-recipient's required audit reports. (Finding 09-2, pages 14-15)

The auditors recommended that the Regional Office of Education #47 should ensure that sub-recipients' required audit reports are obtained and reviewed. The Regional Office should ensure the sub-recipients take timely and appropriate corrective actions for any noncompliance reported. The Regional Office should also ensure that any noncompliance is appropriately reflected in the ROE records.

The Regional Office of Education #47 responded that it provides extensive monitoring of sub-recipients. They note that this includes requiring the submission of quarterly expenditure reports along with at least one on-site visit per year for verification of program goals and objectives. Over the next year, sub-recipient audits will be collected to verify that there were no instances of noncompliance with the McKinney-Vento Homeless Education Program funds.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #47's financial statements as of June 30, 2009 are fairly presented in all material respects.

WILLIAM G. HOLLAND, Auditor General

WGH:JB

SPECIAL ASSISTANT AUDITORS

Our special assistant auditors were Winkel, Parker & Foster, CPA PC.