



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 #48**  
**PEORIA COUNTY**

**FINANCIAL AUDIT (In Accordance with the Single  
Audit Act and OMB Circular A-133)  
For the Year Ended: June 30, 2012  
Release Date: February 6, 2013**

**Summary of Findings:**  
**Total this audit: 2**  
**Total last audit: 3**  
**Repeated from last audit: 2**

**SYNOPSIS**

- The Regional Office of Education #48 did not have adequate internal controls over compliance with grant agreements.
- The Regional Office of Education #48 did not have sufficient internal controls over the financial reporting process.

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

**REGIONAL OFFICE OF EDUCATION #48**  
**PEORIA 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>	\$6,900,988	\$8,281,981
Local Sources	\$3,229,538	\$4,564,003
% of Total Revenues	46.80%	55.11%
State Sources	\$2,215,459	\$1,456,889
% of Total Revenues	32.10%	17.59%
Federal Sources	\$1,455,991	\$2,261,089
% of Total Revenues	21.10%	27.30%
<b>TOTAL EXPENDITURES</b>	\$6,249,186	\$6,336,554
Salaries and Benefits	\$3,674,460	\$3,530,178
% of Total Expenditures	58.80%	55.71%
Purchased Services	\$1,276,818	\$1,821,101
% of Total Expenditures	20.43%	28.74%
All Other Expenditures	\$1,297,908	\$985,275
% of Total Expenditures	20.77%	15.55%
<b>TOTAL NET ASSETS</b>	\$3,650,251 <sup>1</sup>	\$3,099,249
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$98,256	\$109,261
<sup>1</sup> Includes a (\$100,800) restatement to the FY12 beginning net asset balance due to an overstatement of accounts receivable in the Proprietary Fund in the prior year. Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Gerald Brookhart Currently: Honorable Gerald Brookhart

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **INADEQUATE INTERNAL CONTROLS OVER COMPLIANCE**

**The Regional Office of Education #48 did not have adequate internal controls over compliance with grant agreements.**

As a recipient of federal, State, and local funds from various grantor agencies, the Regional Office must incorporate certain procedures into their operations in order to comply with the grant agreements with these entities. In addition, the Regional Office must supply any subrecipients of its federal awards with certain information on the related federal program. The Regional Office must also monitor their subrecipients to ensure they are having an annual audit and correcting any findings noted in audits.

1. During testing of information provided to subrecipients of this program, auditors noted that the information did not include the name of the awarding federal agency and there was no statement that the subrecipient signed stating they were informed, understood, and agreed to comply with the applicable compliance requirements. Regional Office management noted that this agreement was signed in early FY12 when ROE staff was not aware of all the required information needing to be communicated in subrecipient agreements.
2. During compliance testing of fixed assets purchased with this grant funding, auditors found that some assets listed on the depreciation schedule were no longer in use or on hand but had not been removed from the depreciation schedule. The Regional Office did not have procedures in place to properly track all fixed assets that were purchased with federal funding.
3. During compliance testing of subrecipient monitoring, auditors noted that during the year ended June 30, 2012, the Regional Office had no procedures in place to determine if the subrecipient had taken corrective action for audit findings. (Finding 12-1, pages 12a-12b)

The auditors recommended that Regional Office staff should review all compliance requirements related to information required to be communicated to subrecipients prior to sending any federal funding to the subrecipients. Also, the Regional Office should have procedures in place to ensure all fixed assets purchased with federal funding are accurately tracked when purchased and removed when the asset is no longer in service or on hand. Finally, the Regional Office should

develop written procedures to ensure subrecipients take corrective action for audit findings related to their funding.

The Peoria County Regional Office of Education #48 responded that the Regional Office has revised subrecipient agreements to include appropriate wording in the Intergovernmental Agreement document which is signed by the subrecipient. The Regional Office will continue to review the agreements to ensure that required information is included. Regarding the fixed assets, the Regional Office responded it will ensure that there are procedures in place to properly track all fixed assets that are purchased with federal funding and perform periodic inventories as required. Finally, the Regional Office stated it has developed proper monitoring procedures which determine if the subrecipient has taken corrective action for any audit findings that may have a direct and material impact on programs funded by the Regional Office.

### **CONTROLS OVER FINANCIAL STATEMENT PREPARATION**

**The Regional Office of Education #48 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #48 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 #48 did not have sufficient internal controls over the financial reporting process. While the Regional Office maintains controls over the processing of some 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 Regional Office's accounting records, noted that material adjusting entries were required to present the financial statements in accordance with generally accepted accounting principles and the Regional Office had not recorded an allowance for uncollectible accounts receivable.

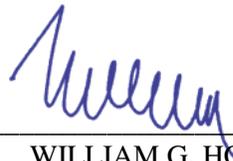
According to Regional Office officials, although they have hired an outside Certified Public Accountant (CPA) to help review financials, there was not adequate funding to employ a full-time CPA to review the financials on a continuous basis. (Finding 12-2, pages 12 c-12d) **This finding was first reported in 2007.**

The auditors recommended that, as part of internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education #48 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 Peoria County Regional Office of Education #48 responded that it is working to implement controls and procedures to improve the accounting records that underlie the financial statements in order to reduce and eliminate the material adjustments required to present the financial statements in accordance with generally accepted accounting principles. The Regional Office also noted that while it has from time to time hired a CPA to work on special projects, the Regional Office is investigating employment of 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. (For previous Regional Office response, see Digest Footnote #1.)

### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #48'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: 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 Peoria Regional Office of Education #48 responded that it is working to implement controls and procedures to improve the accounting records that underlie the financial statements in order to reduce and eliminate the material adjustments required, as noted by the auditors, to present the financial statements in accordance with generally accepted accounting principles. The Regional Office also noted that while it has from time to time hired a CPA to work on special projects, the Regional Office will consider whether resources are available to provide for hiring experienced help in reviewing the financial statements, including disclosures.