



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION # 54
VERMILION COUNTY

FINANCIAL AUDIT
For the Year Ended: June 30, 2010

Release Date: March 30, 2011

Summary of Findings:

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

SYNOPSIS

- The Regional Office of Education #54 did not have adequate internal control procedures.
- The Regional Office of Education #54 did not have sufficient internal controls over the financial statement preparation process.

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

REGIONAL OFFICE OF EDUCATION # 54
VERMILION COUNTY

FINANCIAL AUDIT
For The Year Ended June 30, 2010

	FY 2010	FY 2009
TOTAL REVENUES	\$946,774	\$807,019
Local Sources	\$391,712	\$289,461
% of Total Revenues	41.37%	35.87%
State Sources	\$479,342	\$449,434
% of Total Revenues	50.62%	55.69%
Federal Sources	\$75,720	\$68,124
% of Total Revenues	8.00%	8.44%
TOTAL EXPENDITURES	\$946,284	\$776,018
Salaries and Benefits	\$310,286	\$270,786
% of Total Expenditures	32.79%	34.89%
Purchased Services	\$310,258	\$176,057
% of Total Expenditures	32.79%	22.69%
All Other Expenditures	\$325,740	\$329,175
% of Total Expenditures	34.42%	42.42%
TOTAL NET ASSETS	\$138,571	\$138,081
INVESTMENT IN CAPITAL ASSETS	\$7,891	\$4,222
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Michael Metzen Currently: Honorable Cheryl Reifsteck

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

INADEQUATE INTERNAL CONTROL PROCEDURES

The Regional Office of Education #54 did not have adequate internal control procedures.

The Regional Office of Education #54 did not have adequate internal control procedures. The Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system over receipts, disbursements, and reporting to prevent errors and fraud.

Auditors noted the following weaknesses in the Regional Office of Education #54's internal control system:

- A. Due to inadequate segregation of duties, one person is responsible for receiving money, depositing funds, recording receipts in the general ledger, receiving unopened invoices and vendor statements, preparing disbursement checks, entering disbursements in the general ledger, receiving the unopened bank statements, and reconciling most bank statements.
- B. Prior-year audit adjustments had not been posted to the general ledger; therefore, some current year opening fund balances were not correct.
- C. The Regional Office had \$44,310 in checks received prior to June 30, 2010, that were not deposited and recorded in the general ledger at June 30, 2010.

Lack of effective internal control procedures could result in unintentional or intentional errors or misappropriation of assets that could be material to the financial statements and that may not be detected in a timely manner by employees in the normal course of performing their assigned duties.
(Finding 10-01, page 10a)

Auditors recommended that:

- A. The Regional Office should segregate duties so that no one individual has access to all steps of an accounting process.
- B. After closing the prior year's financial statements, the opening fund balances for the current year should be compared to the ending balances on the prior year's financial statements. Any discrepancies should be reviewed and resolved.
- C. The Regional Office should deposit and record revenue in the general ledger promptly upon receipt.

The Regional Superintendent responded that he agrees with this finding.

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #54 did not have sufficient internal controls over the financial statement preparation process.

The Regional Office of Education #54 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 #54 did not have sufficient internal controls over the financial statement preparation process. 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 Regional Office's accounting records, noted the following:

- The Regional Office's financial information required numerous adjusting entries to present the financial statements in accordance with generally accepted accounting principles.
- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or deferred revenues.

According to Regional Office officials, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements. (Finding 10-02, pages 10b-10c)

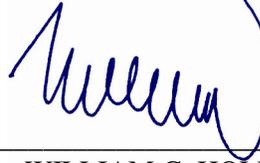
The auditors recommended that, as part of its internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education #54 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, 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 #54 responded that it accepts the degree of risk associated with this condition

because the added expense to seek outside accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region. The Regional Office of Education #54 noted that it will continue to work with the other Regional Offices of Education to determine the most effective method of ensuring that its employees possess the knowledge required to compile the necessary GAAP-based financial statements.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #54's financial statements as of June 30, 2010 are fairly presented in all material respects.

A handwritten signature in blue ink, appearing to read 'William G. Holland', is written over a horizontal line.

WILLIAM G. HOLLAND
Auditor General

WGH:KJM

AUDITORS ASSIGNED: Kemper CPA Group, LLP were our special assistant auditors.