



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 # 54**  
**VERMILION COUNTY**

**FINANCIAL AUDIT**  
**For the Year Ended: June 30, 2012**

**Release Date: April 25, 2013**

**Summary of Findings:**

<b>Total this audit:</b>	<b>2</b>
<b>Total last audit:</b>	<b>3</b>
<b>Repeated from last audit:</b>	<b>2</b>

**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 reporting 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, 2012**

	<b>FY 2012</b>	<b>FY 2011</b>
<b>TOTAL REVENUES</b>	\$701,899	\$938,947
Local Sources	\$168,183	\$408,649
% of Total Revenues	23.96%	43.52%
State Sources	\$413,734	\$477,366
% of Total Revenues	58.94%	50.84%
Federal Sources	\$119,982	\$52,932
% of Total Revenues	17.09%	5.64%
<b>TOTAL EXPENDITURES</b>	\$679,644	\$936,299
Salaries and Benefits	\$271,615	\$275,407
% of Total Expenditures	39.96%	29.41%
Purchased Services	\$66,441	\$329,268
% of Total Expenditures	9.78%	35.17%
All Other Expenditures	\$341,588	\$331,624
% of Total Expenditures	50.26%	35.42%
<b>TOTAL NET ASSETS</b>	\$163,474	\$141,219
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$4,263	\$6,077
Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Cheryl Reifsteck 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 over financial reporting:

- A. Due to inadequate segregation of duties, one person was responsible for preparing, recording, and mailing disbursement checks. In addition, for two funds, one person was responsible for depositing funds and recording receipts in the general ledger.
- B. Not all bank reconciliations were reviewed by an individual independent of the recording and reconciliation process.

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 may not be detected in a timely manner by employees in the normal course of performing their assigned duties. (Finding 12-01, page 10a) **This is a partial repeat of a finding that was first reported in 2009.**

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. Although the Regional Office has improved segregation of duties for bank reconciliations, all bank reconciliations should be reviewed by an individual independent of the recording and reconciliation process and the review should be documented.

The Regional Superintendent responded that she agrees with this finding. (For previous Regional Office response, see Digest Footnote #1.)

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

**The Regional Office of Education #54 did not have sufficient internal controls over the financial reporting 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). The Regional Office's 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 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 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 revenue. While the Regional Office did maintain records to indicate the balances of accounts payable, accounts receivable, and deferred revenue, no entries were provided to reconcile the Regional Office of Education #54's grant activity, such as posting grant receivables and 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 12-02, pages 10b-10c) **This finding was first reported in 2010.**

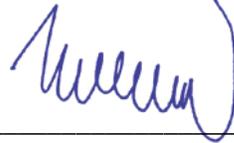
The auditors recommended that, as part of its internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education #54 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, 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 additional 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. (For previous Regional Office response, see Digest Footnote #2.)

**AUDITORS' OPINION**

Our auditors state the Regional Office of Education #54'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: INADEQUATE INTERNAL CONTROL PROCEDURES—  
Previous Regional Office Response**

In its prior response in 2011, the Regional Superintendent responded that she agrees with this finding.

**#2: CONTROLS OVER FINANCIAL STATEMENT  
PREPARATION—Previous Regional Office Response**

In its prior response in 2011, 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 noted that it will review, approve, and accept responsibility for the audit adjustments, financial statements and related notes provided by the auditors. The Regional Office of Education #54 also 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.

