



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #12**  
**CLAY/CRAWFORD/JASPER/LAWRENCE/RICHLAND COUNTIES**

**FINANCIAL AUDIT**  
**For the Year Ended: June 30, 2015**

**Release Date: June 9, 2016**

FINDINGS THIS AUDIT: 2	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	0	1	No Repeat Findings			
Category 2:	1	0	1				
Category 3:	0	0	0				
<b>TOTAL</b>	<b>2</b>	<b>0</b>	<b>2</b>				
FINDINGS LAST AUDIT: 0							

**SYNOPSIS**

- (15-1) The Regional Office of Education #12 did not have sufficient internal controls over the financial reporting process.
- (15-2) The Regional Office of Education #12 did not have adequate controls over employee use of ROE credit cards.

**Category 1:** Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).  
**Category 2:** Findings that are **significant deficiencies** in internal control and/or noncompliance with State laws and regulations.  
**Category 3:** Findings that have **no internal control issues but are in noncompliance** with federal and/or State laws and regulations.

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

**REGIONAL OFFICE OF EDUCATION #12**  
**CLAY/CRAWFORD/JASPER/LAWRENCE/RICHLAND COUNTIES**

**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2015**

	<b>FY 2015</b>	<b>FY 2014</b>
<b>TOTAL REVENUES</b>	\$2,046,098	\$2,334,839
Local Sources	\$337,291	\$426,400
% of Total Revenues	16.48%	18.26%
State Sources	\$1,612,643	\$1,838,424
% of Total Revenues	78.82%	78.74%
Federal Sources	\$96,164	\$70,015
% of Total Revenues	4.70%	3.00%
<b>TOTAL EXPENDITURES</b>	\$2,086,819	\$2,283,812
Salaries and Benefits	\$1,528,548	\$1,667,595
% of Total Expenditures	73.25%	73.02%
Purchased Services	\$250,128	\$436,097
% of Total Expenditures	11.99%	19.10%
All Other Expenditures	\$308,143	\$180,120
% of Total Expenditures	14.77%	7.89%
<b>TOTAL NET POSITION</b>	\$1,817,836 <sup>1</sup>	\$1,971,113
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$39,233	\$37,076
<sup>1</sup> The FY 2015 beginning net position was restated by (\$112,556) due to a prior period adjustment for new reporting requirements for pensions. Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Monte Newlin Currently: Honorable Monte Newlin

**FINDINGS, CONCLUSIONS, AND**  
**RECOMMENDATIONS**

**CONTROLS OVER FINANCIAL STATEMENT  
PREPARATION**

**The Regional Office of Education  
No. 12 did not have sufficient  
internal controls over the  
financial reporting process.**

The Regional Office of Education No. 12 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 of Education No. 12's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

The Regional Office of Education No. 12 did not have sufficient internal controls over the financial reporting process in order to record and present the pension information in accordance with these standards. The ROE maintains its accounting records on the cash basis of accounting during the fiscal year and posts year-end accrual and other applicable entries for financial statement purposes. While the ROE maintains controls over the processing of most accounting transactions and prepares its financial statements, there were 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.

Through inquiries and discussions with the ROE's accounting personnel and Regional Superintendent, auditors noted that the ROE did not have adequate controls to record and report the ROE's net accrued pension liabilities/assets, deferred outflows of resources, deferred inflows of resources, and pension expenses in accordance with GAAP.

According to the ROE's management, the complex requirements of GASB Statements No. 68 and No. 71 were new for fiscal year 2015 and will require additional time and training before the ROE can fully implement the requirements on its own. (Finding 2015-001, pages 10-11)

The auditors recommended that as part of internal control over the preparation of financial statements, the ROE should implement comprehensive preparation procedures to ensure that the financial statements are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of the ROE's activities and operations.

The Regional Office of Education No. 12 acknowledges the finding for lack of internal controls with financial statement preparation in regards to GASB 68 and GASB 71. The ROE was under the assumption that the required information would be reported by TRS and IMRF. Due to the complex requirements of these GASB statements, the ROE was unable to get staff trained in time to prepare the June 30, 2015 financial statement disclosures. The ROE will attempt to correct this finding going forward.

#### **EMPLOYEE USE OF ROE CREDIT CARDS**

**The Regional Office of Education No. 12 did not have adequate controls over employee use of ROE credit cards.**

Internal controls should ensure that expenses incurred by the Regional Office of Education No. 12 are adequately documented, incurred for a business purpose, and represent economical and effective use of ROE resources.

The ROE has six (6) credit cards, two (2) of which are used by the Regional Superintendent. During our testing of ROE credit card expenditures, we found personal expenses of the Regional Superintendent charged to both cards at various times throughout the year. These expenses were paid in full by the Regional Superintendent with personal checks written to the credit card companies. The ROE maintained copies of the personal checks and the related charge receipts with the credit card statements. Personal expenses charged to each of the cards in fiscal year 2015 amounted to \$1,562 and \$669, for a total of \$2,231.

Management was unaware these activities were not acceptable business practices. The auditors recommended that the Regional Office should adopt a policy which prohibits the use of ROE credit cards for personal expenses. (Finding 2015-002, page 12)

The Regional Office responded that it did not realize this was not an acceptable practice as the Regional Superintendent paid all personal expenses when the credit card payment was due.

**AUDITORS' OPINION**

Our auditors state the Regional Office of Education No. 12's financial statements as of June 30, 2015 are fairly presented in all material respects.

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

FJM:JRB

AUDITORS ASSIGNED: West and Company, LLC  
were our special assistant auditors.