



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY

FINANCIAL AUDIT
For the Year Ended: June 30, 2011

Release Date: June 19, 2012

Summary of Findings:

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

SYNOPSIS

- The Regional Office of Education #41 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #41 did not have adequate controls over journal entries.

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

REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY

FINANCIAL AUDIT
For the Year Ended June 30, 2011

	FY 2011	FY 2010
TOTAL REVENUES	\$4,551,909	\$4,452,363
Local Sources	\$2,309,414	\$2,125,088
% of Total Revenues	50.74%	47.73%
State Sources	\$1,788,562	\$1,815,223
% of Total Revenues	39.29%	40.77%
Federal Sources	\$453,933	\$512,052
% of Total Revenues	9.97%	11.50%
TOTAL EXPENDITURES	\$4,334,535	\$4,295,481
Salaries and Benefits	\$3,310,941	\$3,435,298
% of Total Expenditures	76.39%	79.97%
Purchased Services	\$660,591	\$523,539
% of Total Expenditures	15.24%	12.19%
All Other Expenditures	\$363,003	\$336,644
% of Total Expenditures	8.37%	7.84%
TOTAL NET ASSETS	\$2,588,355	\$2,370,981
INVESTMENT IN CAPITAL ASSETS	\$104,931	\$165,729
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Robert Daiber Currently: Honorable Robert Daiber

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #41 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #41 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 ensure GAAP based financial statements are free of material misstatements and include all reconciliations as required by the Governmental Accounting Standards Board (GASB).

The Regional Office of Education #41 did not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on the cash basis of accounting and converts them to accrual basis at yearend. While the Regional Office maintains controls over the processing of most accounting transactions and prepares the government-wide and governmental funds financial statements, there are not sufficient controls to ensure that the required reconciling items are properly calculated and completely presented in the FY2011 government-wide financial statements.

In their review of the Regional Office's financial statements, auditors noted errors in reporting the following reconciling items:

- Net book value of capital assets not reported in the governmental funds balance sheet.
- Deferred revenues reported in the governmental funds balance sheet.
- Revenues in the Statement of Activities that do not provide current financial resources and were not reported as revenues in the governmental funds.
- Net decrease in accrued compensated absences not reported as expenditure in the governmental funds.

Errors noted in the reconciliation of the: (a) total governmental fund balances to net assets of governmental activities in the Statement of Net Assets ;and (b) total change in governmental fund balances to the change in net assets of governmental activities in the Statement of Activities were subsequently corrected in the ROE #41's financial statements.

According to Regional Office Of Education #41's management, they were not aware of the complete GASB Statement No. 34 requirements, thus they were not able to identify and report all reconciling items. (Finding 11-1, pages 10-11)

The auditors recommended that as part of its internal control over the preparation of its financial statements, the Regional Office of Education #41 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including the required summary reconciliations of the governmental funds statements to the government-wide financial statements, are complete and accurate.

The Regional Office of Education #41 responded that it plans to establish greater internal controls over the financial reporting process. The Regional Office noted that this internal control process will implement a comprehensive preparation and review procedure of financial statements. The role of the internal ROE auditor will be to review GASB Statement No. 34 requirements. The Regional Office also noted that the internal ROE auditor will likewise ensure that the required summary reconciliations of the governmental funds statements to the government-wide financial statements are properly completed.

CONTROLS OVER JOURNAL ENTRIES

The Regional Office of Education #41 did not have adequate controls over journal entries.

The Regional Superintendent for the Regional Office of Education #41 is responsible for establishing and maintaining an internal control system over journal entries to prevent risk of errors and fraud. The Regional Office of Education #41's management did not review and approve all journal entries. In addition, some journal entries were not documented on a journal entry form with supporting documentation.

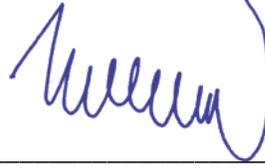
According to the Regional Office of Education #41 management, procedures for preparing and recording journal entries have not been consistently performed. (Finding 11-2, page 12)

The auditors recommended that the Regional Office of Education #41 ensure that all journal entries are consistently documented in a journal entry form with supporting documentation. Further, journal entries should be reviewed and approved by an individual who is independent of the journal entry process prior to posting in the general ledger.

The Regional Office of Education #41 responded that an approved journal entry form was adopted in September 2011. The Regional Office noted that all FY 2012 journal entries are verified with supporting documentation. All journal entries are reviewed and approved by the Administrative Assistant for Finance who is independent of the journal entry process prior to posting in the general ledger.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #41's financial statements as of June 30, 2011 are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:JRB

AUDITORS ASSIGNED: E.C. Ortiz & Co., LLP were our special assistant auditors.