



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, 2012

Release Date: July 11, 2013

Summary of Findings:

Total this audit:	3
Total last audit:	2
Repeated from last audit:	0

SYNOPSIS

- The Regional Office of Education #41 did not have adequate controls over reporting accrued compensated absences.
- The Regional Office of Education #41 did not apply appropriate accounting principles when recording cash balances.
- The Regional Office of Education #41 did not have adequate controls over capital assets.

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

REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY

FINANCIAL AUDIT
For the Year Ended June 30, 2012

	FY 2012	FY 2011
TOTAL REVENUES	\$4,302,284	\$4,551,909
Local Sources	\$2,243,289	\$2,309,414
% of Total Revenues	52.14%	50.74%
State Sources	\$1,401,987	\$1,788,562
% of Total Revenues	32.59%	39.29%
Federal Sources	\$657,008	\$453,933
% of Total Revenues	15.27%	9.97%
TOTAL EXPENDITURES	\$4,593,137	\$4,334,535
Salaries and Benefits	\$2,988,391	\$3,310,941
% of Total Expenditures	65.06%	76.39%
Purchased Services	\$1,272,544	\$660,591
% of Total Expenditures	27.71%	15.24%
All Other Expenditures	\$332,202	\$363,003
% of Total Expenditures	7.23%	8.37%
TOTAL NET ASSETS	\$2,297,502	\$2,588,355
INVESTMENT IN CAPITAL ASSETS	\$90,121	\$104,931
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 REPORTING ACCRUED
COMPENSATED ABSENCES**

The Regional Office of Education #41 did not have adequate controls over reporting accrued compensated absences.

Governmental Accounting Standards Board (GASB) Statement No. 16, Accounting for Compensated Absences, requires that vacation leave be accrued as a liability as the benefits are earned by the employees if the leave is attributable to past service and it is probable that the employer will compensate the employees for the benefits through paid time off or some other means such as cash payments at termination or retirement (termination payments).

The Regional Office of Education #41 did not have adequate controls in place for identifying and reporting the Regional Office's liability for accrued compensated absences. During review of the accrued vacation schedule, auditors noted 8 of 52 (15%) employees were being paid by the County on behalf of ROE #41 and thus should not be included in the accrued vacation obligation balance reported by the Regional Office as of June 30, 2012. The total accrued vacation payable balance was overstated by \$12,960.

In addition, the accrued vacation balance recorded for an employee did not match the Regional Office's monitoring sheet that summarizes the vacation leave balances at year-end resulting in an overstatement in the vacation leave accrual by 133.5 hours (\$2,036) as of June 30, 2012.

According to Regional Office of Education #41 management, the errors were due to oversight caused by a change in personnel. The new employee who prepared the schedule of compensated absences used a spreadsheet provided by the Madison County Payroll Department. She was unaware of the procedure to exclude employees paid out of the Madison County budget in computing accrued compensated absences for ROE #41 and failed to use the updated monitoring sheet prepared by the program bookkeeper for a staff member. (Finding 12-1, pages 10-11)

The auditors recommended that the Regional Office of Education #41 implement adequate internal controls to ensure that financial information on vacation leave accrual is complete and accurate. If necessary, accounting and reporting guidance should be obtained from technical resources to be in conformity with GAAP. Further, monitoring and oversight procedures should be implemented on the review of employee vacation leave balances at year-end.

The Regional Office of Education #41 responded that it will implement a plan to review the employee vacation leave balances. The Regional Office stated that the Office Manager and the Administrative Assistant for Finance will review and sign off on the schedule of compensated absences to ensure the accuracy of the schedule.

APPLICATION OF APPROPRIATE ACCOUNTING PRINCIPLES

The Regional Office of Education #41 did not apply appropriate accounting principles when recording cash balances.

Generally accepted accounting principles and the significant accounting policies of Regional Office of Education #41 consider cash and all highly liquid investments with an original maturity of three months or less from the date of acquisition to be cash equivalents.

The Regional Office of Education #41 did not properly apply appropriate generally accepted accounting principles (GAAP) in recording cash balances on the preliminary trial balance. The Regional Office had six checking accounts held in a bank as of June 30, 2012 that were classified as investments on the trial balance, totaling \$705,313. Upon auditors' notification, an adjustment was made to properly classify the assets.

According to Regional Office of Education #41 management, the improper classification was due to oversight. In the past, the Regional Office had purchased certificates of deposit which were classified as investments in the general ledger. When these certificates of deposit matured, the money was rolled over by establishing a premier checking account at the bank. The trial balance was not adjusted to reclassify the accounts when the change took place. (Finding 12-2, page 12)

The auditors recommended that the Regional Office of Education #41 establish procedures to ensure that transactions are properly reported in accordance with generally accepted accounting principles. If necessary, accounting and reporting guidance should be obtained from technical resources to be in conformity with GAAP.

The Regional Office of Education #41 responded that it has added account codes to the accounting program that will enable management to track all bank accounts as either a cash account in bank or investments.

CONTROLS OVER CAPITAL ASSETS

The Regional Office of Education #41 did not have adequate controls over capital assets.

The Regional Office Of Education (ROE) Accounting Manual requires each Regional Office to maintain a detailed fixed assets record for both accounting purposes as well as insurance purposes for fixed assets costing \$500 and above. Generally accepted accounting principles require that an

inventory of all fixed assets be maintained and property records be updated to reflect all existing items as of year-end.

The Regional Office of Education #41 did not have adequate controls over its capital assets. During equipment testing, auditors noted the following:

- The ROE #41 did not properly record 1 of 8 (13%) property additions reviewed. Computer equipment with net acquisition cost of \$5,529 was recorded for \$5,299 which excluded the cost of shipping and handling of \$230.
- Two of 28 (7%) capital assets tested in the Technology Hub Office were not tagged. The assets were a laptop and a server costing \$1,445 and \$3,778, respectively.
- A proper equipment transfer form was not used to document the transfer of a server valued at \$11,372 to a school district. Further, the capital asset subsidiary ledger was not updated to reflect the transfer in October 2007.
- Capital asset disposal/transfer forms for 16 of 16 (100%) disposed capital assets tested were not signed or approved by the appropriate personnel.
- An annual physical inventory of the ROE's capital assets was not conducted for fiscal year 2012.

According to the Regional Office of Education #41 management:

- There was an oversight by the person in charge of updating the fixed asset list when the information for the net item was entered. The document used to obtain the cost of the equipment did not include shipping and handling.
- The asset tags were provided to the program director. Since there were county tags on the equipment, the program director did not use the ROE tag provided.
- The document to transfer the equipment was completed, but due to an oversight it was not sent to the person who maintains the fixed asset report.
- After the disposal forms were prepared, the person who prepared these documents did not submit them to the person who maintains the fixed asset report.

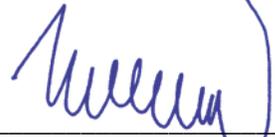
- The fixed asset list was provided, but because of an oversight, the program director did not complete a physical inventory. (Finding 12-3, pages 13-15)

The auditors recommended that the Regional Office of Education #41 establish and implement policies and procedures to address controls on periodic physical inventory, capital assets tagging, recording of acquisitions and disposals, and documentation of capital assets removed from inventory.

The Regional Office of Education #41 responded that it has established and implemented policies and procedures to address controls on periodic physical inventory, capital assets tagging, recording of acquisitions and disposals, and documentation of capital assets removed from inventory. The Regional Office noted that staff members in the various departments are documenting capital assets' activities and those lists are being used to reconcile the fixed asset report to the inventory counts and the general ledger. Two staff members will review and sign off on the report to help ensure the accuracy of capital assets.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #41's financial statements as of June 30, 2012 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.