



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #8
CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES

FINANCIAL AUDIT
For the Year Ended: June 30, 2013

Release Date: April 15, 2014

Summary of Findings:

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

SYNOPSIS

- The Regional Office of Education #8 did not have sufficient internal controls over the financial reporting process.

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

REGIONAL OFFICE OF EDUCATION #8
CARROLL, JO DAVIESS, AND STEPHENSON COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2013

| | FY 2013 | FY 2012 |
|--|----------------|----------------|
| TOTAL REVENUES | \$5,693,554 | \$4,150,860 |
| Local Sources | \$1,325,852 | \$1,172,884 |
| % of Total Revenues | 23.29% | 28.26% |
| State Sources | \$4,182,852 | \$2,793,598 |
| % of Total Revenues | 73.47% | 67.30% |
| Federal Sources | \$184,850 | \$184,378 |
| % of Total Revenues | 3.25% | 4.44% |
| TOTAL EXPENDITURES | \$5,582,901 | \$3,955,154 |
| Salaries and Benefits | \$2,764,376 | \$2,414,079 |
| % of Total Expenditures | 49.52% | 61.04% |
| Purchased Services | \$1,185,205 | \$792,068 |
| % of Total Expenditures | 21.23% | 20.03% |
| All Other Expenditures | \$1,633,320 | \$749,007 |
| % of Total Expenditures | 29.26% | 18.94% |
| TOTAL NET POSITION | \$1,257,083 | \$1,146,430 |
| INVESTMENT IN CAPITAL ASSETS | \$41,478 | \$41,486 |
| Percentages may not add due to rounding. | | |

REGIONAL SUPERINTENDENT

During Audit Period: Honorable Aaron Mercier

Currently: Honorable Aaron Mercier

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**CONTROLS OVER FINANCIAL STATEMENT
PREPARATION**

The Regional Office of Education #8 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #8 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, 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 #8 did not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on the cash basis of accounting during the fiscal year and posts year-end accrual entries for financial statement purposes. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of 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.

Auditors, in their review of the Regional Office of Education #8's financial information prepared by the Regional Office, noted the following:

- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, and unearned revenue. While the Regional Office did maintain records to indicate the balances of accounts receivable, accounts payable, and unearned revenue, not all entries were provided to reconcile the Regional Office of Education #8's grant activity, such as posting grant receivables and unearned revenue.
- Several adjustments were required to present financial statements in accordance with generally accepted accounting principles.

According to Regional Office officials, they did not have adequate funding to hire and/or train their accounting personnel in order to fully comply with these requirements. (Finding 2013-001, pages 9a-9b) **This finding was first reported in 2011.**

Auditors recommended that as part of internal control over the preparation of financial statements, the Regional Office of Education #8 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 applicable GAAP, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations.

The Regional Office of Education #8 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization this size. The Regional Office has taken steps to address this issue. It has: hired a consultant to help train staff; begun the process of consolidating accounts into one ledger; consolidated banking relationships; and begun to clarify job roles of accounting staff within the ROE. The Regional Office noted that it accepts the degree of risk associated with this condition because the added expense of seeking additional expertise to prepare and/or review financial statements would take away from the funds available to provide educational services to students and teachers. The Regional Office also noted that the cost of hiring and training additional staff or contracting services outweighs the benefit. If additional resources are made available through the State of Illinois, the Regional Office will consider seeking the services of an accountant to review the financial statements and related disclosures for completeness and accuracy. (For previous Regional Office response, see Digest Footnote #1.)

AUDITORS' OPINION

Our auditors state the Regional Office of Education #8's financial statements as of June 30, 2013 are fairly stated in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:KJM

AUDITORS ASSIGNED: Wipfli LLP were our special assistant auditors.

DIGEST FOOTNOTE

#1: Controls Over Financial Statement Preparation - Previous Regional Office Response

In its prior response in 2012, the Regional Office of Education #8 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization this size. The Regional Office noted that it accepts the degree of risk associated with this condition because the added expense of seeking additional expertise to prepare and/or review financial statements would take away from the funds available to provide educational services to students and teachers. The Regional Office also noted that the cost of hiring and training additional staff or contracting services outweighs the benefit. If additional resources are made available through the State of Illinois, the Regional Office will consider seeking the services of an accountant to review the financial statements and related disclosures for completeness and accuracy.