



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #11
CLARK, COLES, CUMBERLAND, DOUGLAS, EDGAR, MOULTRIE AND
SHELBY COUNTIES

FINANCIAL AUDIT
For the Year Ended: June 30, 2014

Release Date: March 18, 2015

FINDINGS THIS AUDIT: 1				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since 2007	Category 1	Category 2	Category 3
Category 1:	<u>New</u> 0	<u>Repeat</u> 0	<u>Total</u> 0				
Category 2:	0	1	1				
Category 3:	0	0	0				
TOTAL	0	1	1				
FINDINGS LAST AUDIT: 2							

SYNOPSIS

- **(14-1)** The Regional Office of Education #11 did not have sufficient internal controls over the financial reporting process.

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 #11
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FINANCIAL AUDIT
For The Year Ended June 30, 2014

	FY 2014	FY 2013
TOTAL REVENUES	\$1,857,104	\$2,035,838
Local Sources	\$271,999	\$463,151
% of Total Revenues	14.65%	22.75%
State Sources	\$1,500,199	\$1,493,894
% of Total Revenues	80.78%	73.38%
Federal Sources	\$84,906	\$78,793
% of Total Revenues	4.57%	3.87%
TOTAL EXPENDITURES	\$2,067,083	\$2,143,432
Salaries and Benefits	\$1,488,293	\$1,475,122
% of Total Expenditures	72.00%	68.82%
Purchased Services	\$299,627	\$314,635
% of Total Expenditures	14.50%	14.68%
All Other Expenditures	\$279,163	\$353,675
% of Total Expenditures	13.51%	16.50%
TOTAL NET POSITION	\$408,214	\$618,193
INVESTMENT IN CAPITAL ASSETS	\$20,473	\$13,738
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Dr. Bobbi Mattingly Currently: Honorable Dr. Bobbi Mattingly

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #11 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #11 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office of Education #11'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 #11 did not have sufficient internal controls over the financial reporting process. The Regional Office of Education #11 maintains its accounting records on cash basis accounting during the fiscal year and posts year-end accrual entries for financial statement purposes. While the Regional Office of Education #11 maintains controls over the processing of most accounting transactions and attempts to prepare the basic financial statements, 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.

During review of the Regional Office of Education #11's financial statements prepared by the Regional Office of Education #11, the following were noted:

- The Regional Office's financial information required material adjusting entries related to the conversion of its financial statements from cash to accrual basis of accounting based on documentation provided by the Regional Office in order to present its financial statements in accordance with generally accepted accounting principles. Proposed adjusting entries were approved and accepted by Regional Office management.
- In fiscal year 2014, the Regional Office was able to prepare the individual funds financial statements. However, the basic financial statements which include the Statement of Net Position, Statement of Activities, Governmental Funds Balance Sheet, Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Proprietary Fund Statement of Cash Flows, as well as the notes to the financial statements, were not properly prepared.

According to the Regional Office of Education #11 management, this was the Regional Office's third time preparing financial statements. Some additional expertise is needed to address all financial statements and disclosure issues. (Finding 2014-001, pages 9-10) **This finding was first reported in 2007.**

The auditors recommended that, as part of internal control over the preparation of financial statements, including disclosures, the Regional Office of Education #11 should continue to implement comprehensive preparation and/or review 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 Regional Office of Education #11's activities and operations.

The Regional Office of Education #11 responded that it understands the nature of the deficiency. The Regional Office noted that it believes that seeking additional accounting expertise in the form of another accounting firm or appropriately trained individual to prepare and/or review financial statements would reduce the funds available to provide the educational services for the schools in the region. The Regional Office also noted that it will continue to prepare the financial statements internally and continue to seek additional knowledge and training for staff members to ensure that all financial statements, including disclosures, are complete and accurate. The Regional Office responded that it accepts the degree of risk associated with this condition. (For previous Regional Office response, see Digest Footnote #1.)

AUDITORS' OPINION

Our auditors state the Regional Office of Education #11's financial statements as of June 30, 2014 are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:KJM

AUDITORS ASSIGNED: Doehring, Winders & Co. LLP were our special assistant auditors.

DIGEST FOOTNOTE

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

In its prior response in 2013, the Regional Office of Education #11 responded that it understands the nature of the deficiency. The Regional Office noted that it believes that seeking additional accounting expertise in the form of another accounting firm or appropriately trained individual to prepare and/or review financial statements would reduce the funds available to provide the educational services for the schools in the region. The Regional Office also noted that it will continue to prepare the financial statements internally and continue to seek additional knowledge and training for staff members to ensure that all financial statements, including disclosures, are complete and accurate. The Regional Office responded that it accepts the degree of risk associated with this condition.