



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

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**REGIONAL OFFICE OF EDUCATION #17**  
**DEWITT, LIVINGSTON, AND MCLEAN COUNTIES**

**FINANCIAL AUDIT**  
**For the Year Ended: June 30, 2013**

**Release Date: July 10, 2014**

**Summary of Findings:**

<b>Total this audit:</b>	<b>3</b>
<b>Total last audit:</b>	<b>6</b>
<b>Repeated from last audit:</b>	<b>2</b>

**SYNOPSIS**

- The Regional Office of Education #17 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #17 did not have formal policies for certain allowable expenses and travel reimbursements.
- The Regional Office of Education #17 had uncollateralized deposits.

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

**REGIONAL OFFICE OF EDUCATION #17**  
**DEWITT, LIVINGSTON, AND MCLEAN COUNTIES**

**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2013**

	<b>FY 2013</b>	<b>FY 2012</b>
<b>TOTAL REVENUES</b>	\$5,240,331	\$5,962,573
Local Sources	\$2,509,157	\$2,298,127
% of Total Revenues	47.88%	38.54%
State Sources	\$2,419,237	\$3,109,254
% of Total Revenues	46.17%	52.15%
Federal Sources	\$311,937	\$555,192
% of Total Revenues	5.95%	9.31%
<b>TOTAL EXPENDITURES</b>	\$5,124,511	\$5,768,788
Salaries and Benefits	\$2,947,016	\$3,345,880
% of Total Expenditures	57.51%	58.00%
Purchased Services	\$1,548,818	\$1,503,885
% of Total Expenditures	30.22%	26.07%
All Other Expenditures	\$628,677	\$919,023
% of Total Expenditures	12.27%	15.93%
<b>TOTAL NET POSITION</b>	\$3,197,339 <sup>1</sup>	\$3,285,167
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$487,819	\$663,286
<sup>1</sup> The beginning net position was restated due to a restatement of capital assets of (\$203,648).  Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Mark Jontry Currently: Honorable Mark Jontry

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

**CONTROLS OVER FINANCIAL STATEMENT  
PREPARATION**

**The Regional Office of Education #17 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #17 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 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 #17 did not have sufficient internal controls over the financial reporting process. While the Regional Office maintains controls over the processing of most accounting transactions, 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 and correct financial statement misstatements and disclosure omissions in a timely manner.

During review of the Regional Office's financial information prepared by the Regional Office, auditors noted that the Regional Office did not have adequate controls over the maintenance of records of accounts payable. While the Regional Office did maintain records to indicate the balances of accounts payable, a material audit adjustment was proposed in order to ensure financial statement balances were materially accurate.

Management did not effectively detect all of the material adjustments needed in order to present financial statements in accordance with GAAP. (Finding 2013-001, pages 11-12)  
**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 #17 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of applicable generally

accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations.

The Regional Office of Education #17 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 will continue to seek qualified accounting expertise in developing procedures that will satisfy the pronouncements in financial statement preparation. The Regional Office also stated that it will continue to provide training for staff in utilizing the full range of financial technology that exists. (For previous Regional Office response, see Digest Footnote #1.)

### **LACK OF FORMAL POLICIES**

#### **The Regional Office of Education #17 did not have formal policies for certain allowable expenses and travel reimbursements.**

Adequate internal controls should ensure that expenses incurred by the Regional Office of Education #17 are adequately documented, incurred for a business purpose, and represent an economical and effective use of Regional Office of Education resources.

The Regional Office of Education #17 did not have formal policies in place addressing allowable expenses and travel reimbursements for much of the period under audit. Policies were developed during the fiscal year. A fiscal policy manual was adopted in May 2013 and the employee handbook was updated in June 2013. Prior to release of the policies, expenses were being approved by either the Regional Superintendent or Assistant Regional Superintendent, but there was no adopted policy on what was allowable to ensure consistency for all reimbursement requests.

The Regional Office of Education #17 had policies regarding cell phone use, but it did not have formal policies in place regarding the purchase of cell phones, charges and reimbursements for the period under audit. Cell phone plans were being paid by the Regional Office of Education #17, which at times included charges beyond base plan expenses. Policies were updated effective July 2014. The new policy sets a flat monthly amount of reimbursement for employees and the cell phone plans are no longer in the name of and paid directly by the Regional Office of Education #17.

The Regional Office Education #17 has established policies for teachers in the area to receive graduate credit assistance through a partnership with Lindenwood University. Additionally, the Regional Office of Education has established educational assistance policies in regards to Regional Office of Education #17 employees working under the Regional Alternative School program. However, the Regional Office did not have formal educational assistance policies in place for all other employees for much of the period under audit.

Policies were updated during the year and included in the new employee handbook dated June 2013. The new policy states the requirements and conditions for tuition reimbursement.

The Regional Office of Education #17 did not have adequate formal policies in place to address employee reimbursements, travel expenses, cell phone purchases and charges, and educational assistance for most of the fiscal year under audit. (Finding 2013-002, pages 13-14)

The auditors recommended that the Regional Office of Education #17 should ensure the formal policy established for employee reimbursements and travel expenses outlines the allowable types and amounts of expenses that will be reimbursed and requires that each transaction has adequate documentation showing the business purpose of the expense. The policy should be uniformly enforced and reviewed on a regular basis. The Regional Office should also ensure the formal policy established addresses employee cell phone purchases, charges and reimbursements. The policy should be reviewed on a regular basis. The Regional Office should ensure the established policy for employee educational assistance addresses employee eligibility requirements, the amount of monetary assistance to be provided, types of courses or programs that are considered appropriate for reimbursement, and the expected reimbursement period. This policy should address all employees of the Regional Office of Education #17 and be reviewed on a regular basis.

The Regional Office of Education #17 responded that it has updated the Employee Handbook in June 2013 and adopted a Fiscal Policy Manual in May 2013 establishing a formal set of policy and procedures for business operations, of which addressed the above mentioned items. The Regional Office will continue to review and update as needed the Employee Handbook and Fiscal Policy Manual on an annual basis.

## **UNCOLLATERALIZED DEPOSITS**

### **The Regional Office of Education #17 had uncollateralized deposits.**

The Regional Office of Education #17 is required to follow the Illinois Public Funds Investment Act (30 ILCS 235/1 et. seq.) (Act). The Act gives the authorization for deposits in excess of the federally insured limit to be covered by pledged collateral held by the financial institutions' trust departments in the Regional Office of Education #17's name. In addition, prudent business practice required that all cash and investments held by the financial institutions for the Regional Office of Education #17 be adequately covered by depository insurance or collateral.

The Regional Office of Education #17 did not obtain sufficient collateral for its deposits at one of the financial institutions utilized by the Regional Office of Education #17. As of June 30, 2013, the Regional Office of Education #17's deposits

exceeded the \$250,000 insured by the Federal Deposit Insurance Corporation (FDIC) by \$1,238,836.

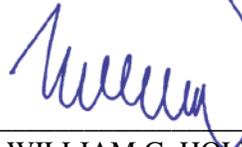
Collateralization of deposits in excess of FDIC insurance was overlooked by the Regional Office of Education #17 when changing financial institutions for its operating account. (Finding 2013-003, page 15)

The auditors recommended that the Regional Office of Education #17 should obtain pledged collateral for all its deposits exceeding FDIC insurance coverage from the financial institutions utilized by the Regional Office of Education #17.

The Regional Office of Education #17 responded that it is currently working with Commerce Bank to obtain sufficient collateralization of deposits in excess of FDIC insurance.

### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #17's financial statements as of June 30, 2013 are fairly presented in all material respects.



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WILLIAM G. HOLLAND  
Auditor General

WGH:KJM

AUDITORS ASSIGNED: Winkel, Parker & Foster, CPA PC 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 #17 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 will continue to seek qualified professional accounting expertise in developing procedures that will satisfy the pronouncements in financial statement preparation.