



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN AND WILLIAMSON COUNTIES

FINANCIAL AUDIT (In accordance with the Single
 Audit Act and OMB Circular A-133)
 For the Year Ended: June 30, 2014

Release Date: March 5, 2015

FINDINGS THIS AUDIT: 2	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	0	1	No Repeat Findings			
Category 2:	1	0	1				
Category 3:	0	0	0				
TOTAL	2	0	2				
FINDINGS LAST AUDIT: 1							

SYNOPSIS

- **(14-1)** The Regional Office of Education #21 did not have sufficient internal controls over the financial reporting process.
- **(14-2)** The Regional Office of Education #21 did not have adequate internal controls over cash management for a federal grant program.

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 #21
FRANKLIN AND WILLIAMSON COUNTIES

FINANCIAL AUDIT
(In Accordance with the Single Audit Act and OMB Circular A-133)
For The Year Ended June 30, 2014

	FY 2014	FY 2013
TOTAL REVENUES	\$3,214,114	\$2,921,251
Local Sources	\$672,622	\$701,545
% of Total Revenues	20.93%	24.02%
State Sources	\$1,537,392	\$1,650,853
% of Total Revenues	47.83%	56.51%
Federal Sources	\$1,004,100	\$568,853
% of Total Revenues	31.24%	19.47%
TOTAL EXPENDITURES	\$3,422,971	\$3,230,332
Salaries and Benefits	\$2,357,647	\$2,306,354
% of Total Expenditures	68.88%	71.40%
Purchased Services	\$570,234	\$399,131
% of Total Expenditures	16.66%	12.36%
All Other Expenditures	\$495,090	\$524,847
% of Total Expenditures	14.46%	16.25%
TOTAL NET POSITION	\$462,751	\$671,608
INVESTMENT IN CAPITAL ASSETS	\$64,088 ¹	\$100,647 ¹
¹ Capital asset amounts include debt associated with capital leases. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable R. Matthew Donkin Currently: Honorable R. Matthew Donkin

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INTERNAL CONTROLS OVER FINANCIAL REPORTING

The Regional Office of Education #21 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #21 is required to maintain a system of internal controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP) in order to detect, prevent, and/or correct misstatements in the financial statements.

The Regional Office of Education #21 accounted for expenditure reimbursements as current period revenue within the GAAP based financial statements. When reimbursements of current period expenditures are received, these reimbursements should be recorded net against the related expenditures. The Regional Office's revenues and expenditures were overstated by \$26,845.

According to Regional Office of Education #21 officials, these misstatements were caused by the fiscal staff not being aware of how these reimbursements should be recognized. (Finding 2014-001, page 13)

The auditors recommended that the Regional Office of Education #21 should take appropriate steps to ensure that all expenditure reimbursements are properly recorded in accordance with GAAP prior to the audit being performed.

The Regional Office of Education #21 responded that it will take appropriate steps to find the best guidance to ensure that all expenditure reimbursements are properly recorded in accordance with GAAP.

INTERNAL CONTROLS OVER CASH MANAGEMENT

The Regional Office of Education #21 did not have adequate internal controls over cash management for a federal grant program.

The Office of Management and Budget (OMB) Circular A-102 Common Rule and OMB Circular A-110 require non-federal entities receiving federal awards to establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations, and program compliance requirements. The objectives of internal control pertaining to the compliance requirements for federal programs are found in OMB Circular A-133. Specifically, when awards are funded on a reimbursement basis, costs should be paid prior to requesting reimbursement from the pass-through or federal agency.

Upon review of the reimbursement requests and general ledger detail relating to the System of Support Title I-School Improvement and Accountability grant program, it was noted

that the Regional Office of Education #21 claimed expenditures in the amount of \$1,114 on the expenditure report submitted to the Illinois State Board of Education (ISBE) as of June 30, 2014, that were not paid until the following fiscal year.

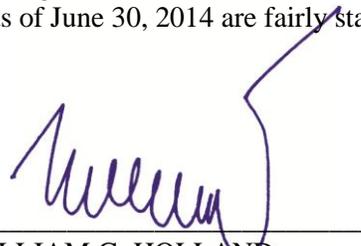
The June 30, 2014, expenditure report was prepared after several year-end adjusting journal entries had already been recorded, which increased accounts payable, due to other governmental units, and expenditures. These entries were recorded to adjust the account balances to the accrual basis of accounting. However, because this grant is funded on the reimbursement basis, the expenditure report should have been prepared on the cash basis of accounting. Proper controls were not in place to ensure the expenditure reports were prepared accurately and that all expenditures claimed were appropriate based on grant compliance requirements. (Finding 2014-002, pages 14-15)

The auditors recommended that the Regional Office of Education #21 should establish a set of internal controls over federal compliance to ensure that all grant expenditure reports are accurate prior to submission to the granting agency. These internal controls should be designed such that errors or omissions resulting from adjusting journal entries, clerical and posting errors, or other factors are detected and corrected prior to submission of the expenditure report.

The Regional Office of Education #21 responded that it will establish internal controls over federal compliance and look for the best direction from its funding agency (ISBE) to ensure that all grant expenditure reports are accurate prior to submission to the granting agency.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #21's financial statements as of June 30, 2014 are fairly stated in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:KJM

AUDITORS ASSIGNED: Kemper CPA Group LLP were our special assistant auditors.