



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 #24**  
**GRUNDY AND KENDALL COUNTIES**

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

**Release Date: July 10, 2014**

**Summary of Findings:**

<b>Total this audit:</b>	<b>2</b>
<b>Total last audit:</b>	<b>4</b>
<b>Repeated from last audit:</b>	<b>1</b>

**SYNOPSIS**

- The Regional Office of Education #24 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #24 did not have adequate internal controls over compliance.

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



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

**CONTROLS OVER FINANCIAL STATEMENT  
PREPARATION**

**The Regional Office of Education #24 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #24 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 expertise to prepare GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

The Regional Office of Education #24 did not have sufficient internal controls over the financial reporting process. The Regional Office 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 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's financial information prepared by the Regional Office, noted that the Regional Office's financial information required material adjusting entries to accounts receivable, prepaid expenses, accounts payable, accrued payroll and unearned revenue 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.

According to Regional Office officials, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements. (Finding 2013-001, pages 11a-11b) **This finding was first reported in 2010.**

The auditors recommended that, as part of internal control over the preparation of financial statements, the Regional Office of Education #24 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 the applicable GAAP, GASB pronouncements, and knowledge of the Regional Office of Education #24's activities and operations.

The Regional Office of Education #24 responded that in the past and in the present time, the Regional Office of Education has taken the following steps to address this finding:

1. Switched accounting software from an outdated accounting software to an accounting software used by many Regional Offices of Education;
2. Hired a local accounting firm to help transition to the new accounting software; and
3. Sent personnel to trainings.

The Regional Office of Education #24 also stated that it will continue to address this finding using the limited resources that they have. (For previous Regional Office response, see Digest Footnote #1.)

#### **INADEQUATE INTERNAL CONTROLS OVER COMPLIANCE**

**The Regional Office of Education #24 did not have adequate internal controls over compliance.**

As a recipient of federal, State, and local funds from various grantor agencies, the Regional Office of Education #24 must incorporate certain procedures into their operations in order to comply with grant agreements with these entities. The Regional Office is required to separately account for federal grant funding.

During testing, auditors noted that the federal grant funding received for the Title II-Teacher Quality-Leadership Grant was not separately accounted for. Instead, the funding was accounted for within the Institute Fund.

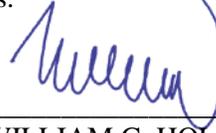
The Regional Office of Education #24 was unaware of the requirement to account for federal funding separately. (Finding 2013-002, page 11c)

The auditors recommended that the Regional Office of Education #24 should track all federally funded grants separately.

The Regional Office of Education #24 responded that it has taken the necessary steps to address this finding. A separate account has been established in order to track funds in a manner in which the auditing firm has recommended. The Regional Office of Education also stated that it expects the measures taken will properly address the finding and thus eliminate the condition for the FY 14 audit.

**AUDITORS' OPINION**

Our auditors state the Regional Office of Education #24's financial statements as of June 30, 2013 are fairly presented in all material respects.



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WILLIAM G. HOLLAND  
Auditor General

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

**DIGEST FOOTNOTE**

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

In its previous response in 2012, the Regional Office of Education #24 responded that the bookkeeper is quite experienced. The Regional Office noted that she greatly reduced the number of entries this year. The ROE stated that it did not have the funding to hire a CPA or train staff in order to keep up with all accounting standard updates.