



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #24
GRUNDY AND KENDALL COUNTIES

FINANCIAL AUDIT
For the Year Ended: June 30, 2014

Release Date: June 23, 2015

FINDINGS THIS AUDIT: 2	AGING SCHEDULE OF REPEATED FINDINGS						
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	1	1	2010	14-1		
Category 2:	1	0	1				
Category 3:	0	0	0				
TOTAL	1	1	2				
FINDINGS LAST AUDIT: 2							

SYNOPSIS

- **(14-1)** The Regional Office of Education #24 did not have sufficient internal controls over the financial reporting process.
- **(14-2)** The Regional Office of Education #24 did not have controls over property and equipment.

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 #24
GRUNDY AND KENDALL COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2014

	FY 2014	FY 2013
TOTAL REVENUES	\$2,172,534	\$2,221,821
Local Sources	\$339,128	\$326,940
% of Total Revenues	15.61%	14.71%
State Sources	\$1,661,675	\$1,695,022
% of Total Revenues	76.49%	76.29%
Federal Sources	\$171,731	\$199,859
% of Total Revenues	7.90%	9.00%
TOTAL EXPENDITURES	\$2,227,933	\$2,490,095
Salaries and Benefits	\$1,517,512	\$1,473,484
% of Total Expenditures	68.11%	59.17%
Purchased Services	\$338,641	\$579,295
% of Total Expenditures	15.20%	23.26%
All Other Expenditures	\$371,780	\$437,316
% of Total Expenditures	16.69%	17.56%
TOTAL NET POSITION	\$1,494,847	\$1,550,246
INVESTMENT IN CAPITAL ASSETS	\$193,128	\$120,039
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Christopher Mehochko Currently: Honorable Christopher Mehochko

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'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 #24 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.

During review of the Regional Office of Education #24's financial information prepared by the Regional Office of Education #24, auditors noted 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 2014-001, 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 it has taken the following steps to address this finding:

1. Implemented a new software system-now in its second year of use;
2. Hired a local accounting firm to review its financial statements; 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.)

CONTROLS OVER PROPERTY AND EQUIPMENT

The Regional Office of Education #24 did not have controls over property and equipment.

The Regional Office of Education #24's policy is to maintain detailed fixed asset records for property and equipment with a cost of \$5,000 or more and a useful life greater than one year. Generally accepted accounting principles (GAAP) require inventory and depreciation schedules be maintained for all fixed assets meeting the capitalization threshold for reporting.

During audit procedures related to property and equipment, auditors noted the following:

- The fixed asset listing incorrectly calculated beginning accumulated depreciation, depreciation expense, and ending accumulated depreciation.
- New property acquired, which met the criteria for capitalization under the Regional Office of Education #24's capitalization policy, was omitted from the depreciation schedule.
- Items were included on the depreciation schedule which the Regional Office of Education had transferred to Regional Office of Education #56.

Regional Office personnel were not following established internal control policies regarding the tracking of fixed assets. Additionally, the Regional Office did not have a procedure in place to ensure newly acquired property, meeting the capitalization policy, were included on the depreciation schedule. (Finding 2014-002, page 11c)

The auditors recommended that the Regional Office of Education #24 should follow established internal controls and/or implement procedures to:

- Review calculation of depreciation expense and verify the beginning balance of accumulated depreciation is correctly stated.
- Review equipment and supply accounts at year end to ensure that all fixed assets have been properly added

to the fixed asset inventory listing and depreciation schedule.

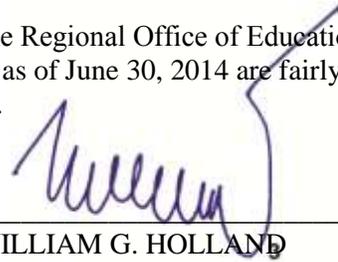
- Periodically review the listing of fixed assets and remove any that have become obsolete, are no longer in service or have been transferred to another Regional Office.

The Regional Office of Education #24 responded that it has taken the following steps to address this finding.

1. Working to ensure beginning balance is correct; and
2. Reviewed and ensured all fixed assets are listed correctly.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #24's financial statements as of June 30, 2014 are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:KJM

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 2013, 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.