



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #38
LOGAN/MASON/MENARD COUNTIES

FINANCIAL AUDIT
For the Year Ended: June 30, 2013

Release Date: July 24, 2014

Summary of Findings:

Total this audit:	2
Total last audit:	1
Repeated from last audit:	1

SYNOPSIS

- The Regional Office of Education #38 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #38 did not timely file quarterly grant reports.

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

REGIONAL OFFICE OF EDUCATION #38
LOGAN/MASON/MENARD COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2013

	FY 2013	FY 2012
TOTAL REVENUES	\$547,294	\$475,535
Local Sources	\$143,582	\$167,877
% of Total Revenues	26.23%	35.30%
State Sources	\$393,331	\$295,704
% of Total Revenues	71.87%	62.18%
Federal Sources	\$10,381	\$11,954
% of Total Revenues	1.90%	2.51%
TOTAL EXPENDITURES	\$575,486	\$528,337
Salaries and Benefits	\$501,470	\$422,122
% of Total Expenditures	87.14%	79.90%
Purchased Services	\$57,629	\$60,217
% of Total Expenditures	10.01%	11.40%
All Other Expenditures	\$16,387	\$45,998
% of Total Expenditures	2.85%	8.71%
TOTAL NET POSITION	\$113,860	\$142,052
INVESTMENT IN CAPITAL ASSETS	\$15,311	\$18,872
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Jean Anderson Currently: Honorable Jean Anderson

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #38 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #38 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, skill 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 #38 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 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 #38's financial information prepared by the Regional Office, the following was noted:

- The Regional Office of Education #38 did not prepare complete financial statements or note disclosures for the current fiscal year.
- The Regional Office of Education #38's financial information required material adjusting entries. Proposed adjusting entries were approved and accepted by the Regional Office of Education #38 management.

According to the Regional Office of Education #38 management, they were aware of their responsibility to properly prepare financial statements in accordance with GAAP. However, their funding has recently been reduced and they don't have the resources to hire additional staff to ensure the reports are properly prepared. (Finding 2013-001, pages 11 and 12) **This finding was first reported in 2007.**

The auditors recommended that, as part of internal control over the preparation of financial statements, the Regional Office of Education #38 should implement comprehensive

preparation procedures to ensure that the financial statements and note disclosures 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 #38's activities and operations.

The Regional Office of Education #38 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. Management is currently confident with the abilities of the accounting staff to prepare cash basis financial information as needed for reporting throughout the year. The Regional Office noted that management will review year-end reporting controls annually and investigate the cost of training staff to reach an appropriate level of expertise to do a comprehensive preparation and/or review of financial statements. Even though the three counties constituting this office are slated to consolidate with three different regions, as of June 30, 2015, management will still consider additional training when it seems cost beneficial, although training costs would take away from the funds available to provide educational services for the schools in the region. (For previous Regional Office response, see Digest Footnote #1.)

INTERNAL CONTROL OVER GRANT COMPLIANCE

The Regional Office of Education #38 did not timely file quarterly grant reports.

As a recipient of federal, State and local funds from various grantor agencies, the Regional Office of Education #38 must incorporate certain procedures into their operations in order to comply with the grant agreements with these entities. The Regional Office of Education #38 is responsible for establishing and maintaining an internal control system over receipts and disbursements sufficient to complete accurate and timely quarterly expenditure reports required for grants administered by the Illinois State Board of Education (ISBE).

Auditors noted all the quarterly reports for the McKinney-Vento Homeless Children and Youth Program Grant were submitted to the Area Director between 14 and 190 days late. Lack of timely reporting could result in potential noncompliance with grant requirements and/or suspension of grant funding.

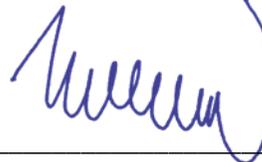
According to Regional Office of Education #38 officials, the first quarterly report was delayed pending final notification of award and the remainder of the reports were late due to oversight. (Finding 2013-002, page 13)

The auditors recommended that the Regional Office of Education #38 should implement adequate internal controls to ensure that timely expenditure reports are filed in the future to comply with the grant agreements and ensure continued funding.

The Regional Office of Education #38 responded that it understands the nature of this finding and the concern, as stated in the "Effect," that a lack of timely reporting could result in potential noncompliance with grant requirements and/or suspension of grant funding. The Regional Office stated that it has ensured that reports are now being filed in a timely manner and that any forms not received are requested from the grantor within the appropriate timeline.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #38's financial statements as of June 30, 2013 are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:JRB

AUDITORS ASSIGNED: Kyle E. McGinnis, CPA was our special assistant auditor.

DIGEST FOOTNOTE

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

In its prior response in 2012, the Regional Office of Education #38 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. Management is currently confident with the abilities of the accounting staff to prepare cash basis financial information as needed for reporting throughout the year. The Regional Office noted that management will review year-end reporting controls annually and investigate the cost of training staff to reach an appropriate level of expertise to do a comprehensive preparation and/or review of financial statements. Management will pursue additional training when it is considered cost beneficial, since training costs would take away from the funds available to provide educational services for the schools in the region.