



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN/GREENE/JERSEY/MACOU PIN COUNTIES**

FINANCIAL AUDIT  
 For the Year Ended: June 30, 2015

Release Date: September 22, 2016

| FINDINGS THIS AUDIT: 3        | AGING SCHEDULE OF REPEATED FINDINGS |                 |                |            |
|-------------------------------|-------------------------------------|-----------------|----------------|------------|
|                               | Repeated Since                      | Category 1      | Category 2     | Category 3 |
| <b>Category 1:</b>            | <u>New</u> 1                        | <u>Repeat</u> 1 | <u>Total</u> 2 | 2007 15-1  |
| <b>Category 2:</b>            | 1                                   | 0               | 1              |            |
| <b>Category 3:</b>            | 0                                   | 0               | 0              |            |
| <b>TOTAL</b>                  | 2                                   | 1               | 3              |            |
| <b>FINDINGS LAST AUDIT: 1</b> |                                     |                 |                |            |

**SYNOPSIS**

- (15-1) The Regional Office of Education #40 did not have sufficient internal controls over the financial reporting process.
- (15-2) The Regional Office of Education #40 did not have sufficient internal controls over cash, receipts, and disbursements.
- (15-3) The Regional Office of Education #40 did not have sufficient internal controls over adult education expenditure reporting.

**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 #40**  
**CALHOUN/GREENE/JERSEY/MACOU PIN COUNTIES**

**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2015**

|   | <b>FY 2015</b>         | <b>FY 2014</b> |
|---|------------------------|----------------|
| <b>TOTAL REVENUES</b>   | \$1,260,260            | \$1,179,784    |
| Local Sources   | \$236,723              | \$285,251      |
| % of Total Revenues   | 18.78%                 | 24.18%         |
| State Sources   | \$973,014              | \$856,763      |
| % of Total Revenues   | 77.21%                 | 72.62%         |
| Federal Sources   | \$50,523               | \$37,770       |
| % of Total Revenues   | 4.01%                  | 3.20%          |
| <b>TOTAL EXPENDITURES</b>   | \$1,183,869            | \$1,409,667    |
| Salaries and Benefits   | \$956,771              | \$1,059,802    |
| % of Total Expenditures   | 80.82%                 | 75.18%         |
| Purchased Services  | \$180,949              | \$241,660      |
| % of Total Expenditures   | 15.28%                 | 17.14%         |
| All Other Expenditures  | \$46,149               | \$108,205      |
| % of Total Expenditures   | 3.90%                  | 7.68%          |
| <b>TOTAL NET POSITION</b>   | \$185,894 <sup>1</sup> | \$113,023      |
| <b>INVESTMENT IN CAPITAL ASSETS</b>   | \$25,221               | \$39,746       |
| <sup>1</sup> The FY 2015 beginning net position was restated by (\$3,520) due to a prior period adjustment for new reporting requirements for pensions.<br><br>Percentages may not add due to rounding. |                        |                |

| <b>REGIONAL SUPERINTENDENT</b>  |
|---|
| During Audit Period: Honorable Larry D. Pfeiffer<br>Currently: Honorable Michelle Mueller |

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **CONTROLS OVER FINANCIAL STATEMENT PREPARATION**

**The Regional Office of Education #40 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #40 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). A 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 #40 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 were 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 #40's financial information prepared by the Regional Office of Education #40, the auditors noted that the Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unearned revenue. While the Regional Office did maintain records to indicate the balances of accounts receivable, accounts payable, and unearned revenue, not all entries were provided to post grant receivables and unearned revenue. Audit entries were also proposed to reclassify reimbursements from others, adjust fund balances to actual, and to correct interfund transfer entries.

Through inquiries and discussions with the Regional Office's accounting personnel and Regional Superintendent, auditors noted the Regional Office of Education #40 also did not have adequate controls to record and report the Regional Office's net accrued pension liabilities/assets, deferred outflows of resources, deferred inflows of resources, and pension expenses in accordance with GAAP.

According to Regional Office of Education #40 management, they did not have adequate funding to hire a certified public accountant or other financial professionals with the appropriate training and expertise as full-time staff.

Additionally, the complex requirements of GASB Statements No. 68 and 71 were new for fiscal year 2015 and will require additional time and training before the Regional Office can fully implement the requirements on its own. (Finding 2015-001, pages 11a-11b) **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 #40 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 applicable GAAP, GASB pronouncements, and knowledge of the Regional Office of Education #40's activities and operations.

The Regional Office of Education #40 responded that at this time, the Regional Office cannot afford to hire an individual to assist with financial statement preparation; however, fiscal personnel of the Regional Office will strive to do their best to prepare the financial statements in accordance with GAAP. (For previous Regional Office response, see Digest Footnote #1 located at the end of the digest.)

### **CONTROLS OVER CASH, RECEIPTS, AND DISBURSEMENTS**

**The Regional Office of Education #40 did not have sufficient internal controls over cash, receipts, and disbursements.**

The Regional Office of Education #40 is required to maintain a system of controls such that all cash balances held by the Regional Office, as well as all cash receipts and disbursements, are recorded in the Regional Office's accounting records. All Regional Office program transactions should be subject to established internal controls.

For the majority of the fiscal year, the Regional Office operated a program, which provided diapers and other parenting supplies to teen parents, with cash funds that were not recorded in the Regional Office's accounting records. Checks written to the Regional Office by donors to fund this program were cashed by a contractor of the Regional Office at a local bank and then used to purchase supplies for the program. The off-book transactions included fiscal year 2015 local revenues of \$4,133 and expenditures of \$3,110. The Regional Office recorded this program's cash transactions in its accounting records at the end of the fiscal year, but these transactions were not subject to any of the Regional Office's internal controls over cash receipts and cash disbursements during the year.

This was caused by a lack of communication with accounting personnel and a misunderstanding of accounting and internal control procedure requirements by program directors. (Finding 2015-002, page 11c)

Auditors recommended that in the future, all Regional Office program transactions should be recorded in the accounting records and be subject to the same established internal controls as other Regional Office transactions. Furthermore, Regional Office staff/contractors should be instructed not to cash checks written to the Regional Office.

The Regional Office responded that the bookkeeping department has taken control of all of the money for the teen parenting program. All of the Regional Office's controls over cash receipts and disbursements during the year are now applied to this program.

### **CONTROLS OVER ADULT EDUCATION REPORTING**

**The Regional Office of Education #40 did not have sufficient internal controls over adult education expenditure reporting.**

The Regional Office of Education #40 is required to maintain a system of controls over grant compliance requirements to ensure grant reporting is accurate.

The end of the year expenditure reports for the Illinois Community College Board Adult Education grants contained expense amounts that were misclassified when compared to actual expenses: State Performance, State Basic, Public Assistance, and Federal Basic. Also, for the Public Assistance grant, actual instruction expenses did not exceed 45% as required by the grant guidelines.

The individual preparing the expenditure reports was inexperienced in how to properly prepare the reports. (Finding 2015-003, pages 11d-11e)

Auditors recommended that all expenditure reports be reviewed by an individual separate from the preparer and compared to underlying accounting records for completeness and accuracy.

The Regional Office responded that staff have been trained on how to complete expenditure reports. Expenditure reports must match bookkeeping ledgers. Furthermore, administration will review all expenditure reports for completeness and accuracy.

**AUDITORS' OPINION**

Our auditors state the Regional Office of Education #40's financial statements as of June 30, 2015 are fairly presented in all material respects.

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

FJM:JRB

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 prior response in 2014, the Regional Office of Education #40 responded that at this time, the Regional Office cannot afford to hire an individual to assist with financial statement preparation; however, fiscal personnel of the Regional Office will strive to do their best to prepare the financial statements in accordance with GAAP.