



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #48
PEORIA COUNTY

**FINANCIAL AUDIT (In Accordance with the Single
Audit Act and OMB Circular A-133)
For the Year Ended: June 30, 2013
Release Date: January 16, 2014**

Summary of Findings:
Total this audit: 2
Total last audit: 2
Repeated from last audit: 2

SYNOPSIS

- The Regional Office of Education #48 did not have adequate internal controls over compliance with grant agreements.
- The Regional Office of Education #48 did not have sufficient internal controls over the financial reporting process.

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

REGIONAL OFFICE OF EDUCATION #48
PEORIA COUNTY

FINANCIAL AUDIT
(In Accordance with the Single Audit Act and OMB Circular A-133)
For The Year Ended June 30, 2013

	FY 2013	FY 2012
TOTAL REVENUES	\$5,852,372	\$6,900,988
Local Sources	\$2,175,020	\$3,229,538
% of Total Revenues	37.16%	46.80%
State Sources	\$2,334,916	\$2,215,459
% of Total Revenues	39.90%	32.10%
Federal Sources	\$1,342,436	\$1,455,991
% of Total Revenues	22.94%	21.10%
TOTAL EXPENDITURES		
Salaries and Benefits	\$6,312,545	\$6,249,186
% of Total Expenditures	57.84%	58.80%
Purchased Services	\$1,165,846	\$1,276,818
% of Total Expenditures	18.47%	20.43%
All Other Expenditures	\$1,495,816	\$1,297,908
% of Total Expenditures	23.70%	20.77%
TOTAL NET POSITION		
	\$3,190,078	\$3,650,251
INVESTMENT IN CAPITAL ASSETS		
	\$74,289	\$98,256
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Gerald Brookhart Currently: Honorable Gerald Brookhart

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE INTERNAL CONTROLS OVER
COMPLIANCE**

The Regional Office of Education #48 did not have adequate internal controls over compliance with grant agreements.

As a recipient of federal, State, and local funds from various grantor agencies, the Regional Office must incorporate certain procedures into their operations in order to comply with the grant agreements with these entities. In addition, the Regional Office must supply any subrecipients of its federal awards with certain information on the related federal program. For any subrecipients to whom the Regional Office paid \$25,000 or more, the Regional Office must also report the amount of funding provided in accordance with the Federal Funding Accountability and Transparency Act of 2006 on the Federal Funding Accountability and Transparency Act Subaward Reporting System (FSRS).

Auditors noted the following during testing:

1. During testing of information provided to subrecipients of this program, it was noted that the information did not include the name of the awarding federal agency or the Data Universal Numbering System (DUNS) number of the subrecipient.
2. During testing of subrecipient reporting, it was noted that the Regional Office did not report amounts paid to subrecipients receiving more than \$25,000 in the Federal Funding Accountability and Transparency Act Subaward Reporting System.

According to Regional Office management, the Regional Office staff was not aware of the requirement to include the DUNS number in subrecipient agreements and report this information to the FSRS. (Finding 2013-001, pages 13a-13b) **This finding was first reported in 2011.**

The auditors recommended that Regional Office staff should review all compliance requirements related to information required to be communicated to subrecipients prior to sending any federal funding to the subrecipients. Also, the Regional Office should have procedures in place to ensure all subrecipients who receive more than \$25,000 in subawards from the Regional Office are reported to the FSRS.

The Peoria County Regional Office of Education #48 responded that it will review all compliance requirements to ensure that proper communication to subrecipients is being made in a timely manner. Also, the Regional Office will notify FSRS when any subawards totaling \$25,000 or more are made to a subrecipient. (For previous Regional Office response, see Digest Footnote #1.)

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #48 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #48 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 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 #48 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. For example, auditors, in their review of the Regional Office's financial information, noted that material adjusting entries were required to present the financial statements in accordance with generally accepted accounting principles. Proposed adjusting entries were approved and accepted by Regional Office management.

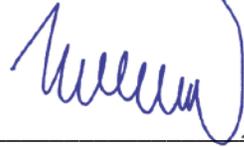
According to Regional Office officials, although they have hired an outside Certified Public Accountant (CPA) to help review financials, there was not adequate funding to employ a full-time CPA to review the financials on a continuous basis. (Finding 2013-002, pages 13c-13d) **This finding was first reported in 2007.**

The auditors recommended that, as part of internal control over the preparation of financial statements, the Regional Office of Education #48 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's activities and operations.

The Peoria County Regional Office of Education #48 responded that it is working to implement controls and procedures to improve the accounting records that underlie the financial statements in order to reduce and eliminate the material adjustments required to present the financial statements in accordance with generally accepted accounting principles. (For previous Regional Office response, see Digest Footnote #2.)

AUDITORS' OPINION

Our auditors state the Regional Office of Education #48's financial statements as of June 30, 2013 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 FOOTNOTES

#1: INADEQUATE INTERNAL CONTROLS OVER COMPLIANCE —Previous Regional Office Response

In its prior response in 2012, the Peoria County Regional Office of Education #48 responded that the Regional Office has revised subrecipient agreements to include appropriate wording in the Intergovernmental Agreement document which is signed by the subrecipient. The Regional Office will continue to review the agreements to ensure that required information is included. Regarding the fixed assets, the Regional Office responded it will ensure that there are procedures in place to properly track all fixed assets that are purchased with federal funding and perform periodic inventories as required. Finally, the Regional Office stated it has developed proper monitoring procedures which determine if the subrecipient has taken corrective action for any audit findings that may have a direct and material impact on programs funded by the Regional Office.

#2: CONTROLS OVER FINANCIAL STATEMENT PREPARATION —Previous Regional Office Response

In its prior response in 2012, the Peoria County Regional Office of Education #48 responded that it is working to implement controls and procedures to improve the accounting records that underlie the financial statements in order to reduce and eliminate the material adjustments required to present the financial statements in accordance with generally accepted accounting principles. The Regional Office also noted that while it has from time to time hired a CPA to work on special projects, the Regional Office is investigating employment of a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements and knowledge of the Regional Office of Education's activities and operations.