



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #51
SANGAMON COUNTY

FINANCIAL AUDIT
For the Year Ended: June 30, 2013

Release Date: April 15, 2014

Summary of Findings:

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

SYNOPSIS

- The Regional Office of Education #51 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #51 did not have adequate internal control procedures.

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

REGIONAL OFFICE OF EDUCATION #51
SANGAMON COUNTY

FINANCIAL AUDIT
For The Year Ended June 30, 2013

	FY 2013	FY 2012
TOTAL REVENUES	\$2,994,908	\$2,995,345
Local Sources	\$1,292,868	\$1,290,999
% of Total Revenues	43.17%	43.10%
State Sources	\$1,460,560	\$1,533,465
% of Total Revenues	48.77%	51.19%
Federal Sources	\$241,480	\$170,881
% of Total Revenues	8.06%	5.70%
TOTAL EXPENDITURES	\$3,087,285	\$3,083,377
Salaries and Benefits	\$2,260,730	\$2,247,314
% of Total Expenditures	73.23%	72.88%
Purchased Services	\$694,379	\$650,584
% of Total Expenditures	22.49%	21.10%
All Other Expenditures	\$132,176	\$185,479
% of Total Expenditures	4.28%	6.02%
TOTAL NET POSITION	\$1,135,620	\$1,227,997
INVESTMENT IN CAPITAL ASSETS	\$8,573	\$12,938
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Jeff Vose
Currently: Honorable Jeff Vose

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**CONTROLS OVER FINANCIAL STATEMENT
PREPARATION**

The Regional Office of Education #51 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #51 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 #51 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 of Education #51's financial information prepared by the Regional Office, noted the following:

- 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 reconcile the Regional Office of Education #51's grant activity, such as posting grant receivables and unearned revenue.

According to Regional Office of Education #51 management, 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 2007.**

The auditors recommended that, as part of internal control over the preparation of financial statements, the Regional Office of Education #51 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 Regional Office of Education #51 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office of Education staff has a reasonable understanding of the financial statements and can determine that the information in the financial statements is accurate, however, they lack the ability to prepare the notes to the financial statements. The recommendation that "such procedures should be performed by 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," has been noted by the Regional Office. The ROE stated that they will continue to work with the other Regional Offices of Education to determine the most effective method of ensuring that employees possess the knowledge required to compile the necessary GAAP based financial statements. (For previous Regional Office response, see Digest Footnote #1.)

INADEQUATE INTERNAL CONTROL PROCEDURES

The Regional Office of Education #51 did not have adequate internal control procedures.

The Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system over accounting transactions to prevent errors and fraud. Auditors noted the following weaknesses in the Regional Office of Education #51's internal control system:

- During testing of controls over the payroll process, 8 employment contracts were not signed by the employee and Regional Superintendent.
- During testing of controls over the payroll process, there were 15 instances where the Regional Superintendent did not document his review and approval of the direct deposit report for employees that had their pay deposited directly into their bank accounts.
- Some bank reconciliations for the Regional Office's main operating account were not completed in a timely manner. In addition, there was no evidence of management's review and approval of some of the bank reconciliations. Also, the June 30, 2013, bank reconciliation for the Regional Office's main operating account did not reconcile to the general ledger. There was a \$4,733 variance between the bank reconciliation and accounting records.

- During journal entry testing, 12 of 17 journal entries tested lacked evidence of review by a member of management. In addition, 4 of 17 journal entries tested lacked supporting documentation.

According to Regional Office management, these issues were partially due to the numerous illnesses that affected the staff. The absence of these employees caused certain financial duties to be reassigned and designated to other staff who were unfamiliar with all internal control procedures in place. (Finding 2013-002, pages 11c-11d)

The auditors recommended the following:

- The Regional Office should ensure that all employment contracts are signed by both the employee and the Regional Superintendent.
- The Regional Office should ensure that direct deposit reports are reviewed and approved by the Regional Superintendent or a designee to confirm the accuracy of the reports prior to the ACH transfer to employees' bank accounts being finalized.
- The Regional Office should ensure that bank reconciliations are completed, agree to the general ledger, and are reviewed by management in a timely manner to confirm the accuracy of the reconciliation and timely correction of reconciliation errors noted.
- The Regional Office should ensure that all journal entries are accompanied by supporting documentation and reviewed and approved by someone independent of the general ledger processes.

The Regional Office of Education #51 responded that it has recently hired a full-time Finance Manager/Office Manager to assume the responsibilities of payroll. Proper and consistent coordination of duties among office staff will eradicate issues brought forth by the aforementioned causes.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #51's financial statements as of June 30, 2013 are fairly stated in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH: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 2012, the Regional Office of Education #51 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office of Education staff has a reasonable understanding of the financial statements and can determine that the information in the financial statements is accurate, however, they lack the ability to prepare the notes to the financial statements. The recommendation that “such procedures should be performed by 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,” has been noted by the Regional Office. The ROE noted that they will continue to work with the other Regional Offices of Education to determine the most effective method of ensuring that employees possess the knowledge required to compile the necessary GAAP based financial statements.