



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION # 54
VERMILION COUNTY

FINANCIAL AUDIT
For the Year Ended: June 30, 2013

Release Date: January 29, 2014

Summary of Findings:

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

SYNOPSIS

- The Regional Office of Education #54 did not have adequate internal control procedures.
- The Regional Office of Education #54 did not have sufficient internal controls over the financial reporting process.

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

REGIONAL OFFICE OF EDUCATION # 54
VERMILION COUNTY

FINANCIAL AUDIT
For The Year Ended June 30, 2013

	FY 2013	FY 2012
TOTAL REVENUES	\$862,890	\$701,899
Local Sources	\$152,057	\$168,183
% of Total Revenues	17.62%	23.96%
State Sources	\$539,787	\$413,734
% of Total Revenues	62.56%	58.94%
Federal Sources	\$171,046	\$119,982
% of Total Revenues	19.82%	17.09%
TOTAL EXPENDITURES	\$852,786	\$679,644
Salaries and Benefits	\$429,730	\$271,615
% of Total Expenditures	50.39%	39.96%
Purchased Services	\$60,181	\$66,441
% of Total Expenditures	7.06%	9.78%
All Other Expenditures	\$362,875	\$341,588
% of Total Expenditures	42.55%	50.26%
TOTAL NET POSITION	\$173,578	\$163,474
INVESTMENT IN CAPITAL ASSETS	\$5,659	\$4,263
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Cheryl Reifsteck Currently: Honorable Cheryl Reifsteck

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INADEQUATE INTERNAL CONTROL PROCEDURES

The Regional Office of Education #54 did not have adequate internal control procedures.

The Regional Office of Education #54 did not have adequate internal control procedures. The Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system over receipts, disbursements, and reporting to prevent errors and fraud.

Auditors noted that the person who is responsible for preparing and recording disbursements also has access to a check stamp with the authorized signature.

Lack of effective internal control procedures could result in unintentional or intentional errors or misappropriation of assets that could be material to the financial statements and may not be detected in a timely manner by employees in the normal course of performing their assigned duties. (Finding 2013-001, page 11a) **This is a partial repeat of a finding that was first reported in 2009.**

The auditors recommended that the Regional Office should segregate duties so that no one individual has access to all steps of an accounting process.

The Regional Superintendent responded that she agrees with this finding. (For previous Regional Office response, see Digest Footnote #1.)

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #54 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #54 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, 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 #54 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.

Auditors, in their review of the Regional Office's financial information prepared by the Regional Office of Education #54, 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 reconcile the Regional Office of Education #54's grant activity, such as posting grant receivables and unearned revenue.

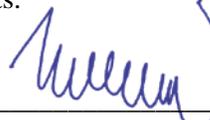
According to Regional Office management, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements. (Finding 2013-002, pages 11b-11c) **This finding was first reported in 2010.**

The auditors recommended that, as part of internal control over the preparation of financial statements, the Regional Office of Education #54 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(s) possessing a thorough understanding of applicable GAAP, GASB pronouncements, and knowledge of the Regional Office of Education 54's activities and operations.

The Regional Office of Education #54 responded that it accepts the degree of risk associated with this condition because the additional expense to seek outside accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region. The Regional Office of Education #54 noted that it will continue to work with the other Regional Offices of Education to determine the most effective method of ensuring that its employees possess the knowledge required to compile the necessary GAAP based financial statements. (For previous Regional Office response, see Digest Footnote #2.)

AUDITORS' OPINION

Our auditors state the Regional Office of Education #54'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 CONTROL PROCEDURES— Previous Regional Office Response

In its prior response in 2012, the Regional Superintendent responded that she agrees with this finding.

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

In its prior response in 2012, the Regional Office of Education #54 responded that it accepts the degree of risk associated with this condition because the additional expense to seek outside accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region. The Regional Office of Education #54 noted that it will continue to work with the other Regional Offices of Education to determine the most effective method of ensuring that its employees possess the knowledge required to compile the necessary GAAP based financial statements.

