



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, 2014

Release Date: April 16, 2015

FINDINGS THIS AUDIT: 2				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	2009			
Category 1:	0	2	2		14-1		
Category 2:	0	0	0	2010	14-2		
Category 3:	0	0	0				
TOTAL	0	2	2				
FINDINGS LAST AUDIT: 2							

SYNOPSIS

- **(14-1)** The Regional Office of Education #54 did not have adequate internal control procedures.
- **(14-2)** The Regional Office of Education #54 did not have sufficient internal controls over the financial reporting process.

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 # 54
VERMILION COUNTY

FINANCIAL AUDIT
For The Year Ended June 30, 2014

	FY 2014	FY 2013
TOTAL REVENUES	\$863,658	\$862,890
Local Sources	\$134,270	\$152,057
% of Total Revenues	15.55%	17.62%
State Sources	\$545,481	\$539,787
% of Total Revenues	63.16%	62.56%
Federal Sources	\$183,907	\$171,046
% of Total Revenues	21.29%	19.82%
TOTAL EXPENDITURES	\$851,192	\$852,786
Salaries and Benefits	\$440,025	\$429,730
% of Total Expenditures	51.70%	50.39%
Purchased Services	\$43,547	\$60,181
% of Total Expenditures	5.12%	7.06%
All Other Expenditures	\$367,620	\$362,875
% of Total Expenditures	43.19%	42.55%
TOTAL NET POSITION	\$186,044	\$173,578
INVESTMENT IN CAPITAL ASSETS	\$2,963	\$5,659
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 a material receipt of grant funds in the amount of \$725,638 was not posted to the general ledger, which resulted in a material misstatement of cash. The recording error was not discovered during the bank reconciliation process.

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 2014-001, page 11a) **This is a partial repeat of a finding that was first reported in 2009.**

The auditors recommended that the Regional Office should establish procedures to ensure that appropriate and accurate accounting records are maintained and used in the bank reconciliation process.

The Regional Office of Education #54 responded that the error occurred when a deposit was marked received instead of as a deposit in the bookkeeping program. The Regional Office noted that in the monthly bookkeeping report, which is used for bank reconciliation, the grant funds in the amount of \$725,638 was posted. In the future, the bank reconciliation process will now include a general ledger report, which should reflect any discrepancies. (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.

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

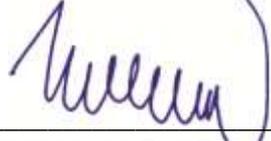
According to Regional Office management, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements. (Finding 2014-002, pages 11b-11c) **This finding was first reported in 2010.**

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, 2014 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 2013, 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 2013, 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.