



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

William G. Holland, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #55**  
**WHITESIDE 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	14-1		
<b>Category 1:</b>	1	1	2				
<b>Category 2:</b>	0	0	0				
<b>Category 3:</b>	0	0	0				
<b>TOTAL</b>	1	1	2				
FINDINGS LAST AUDIT: 1							

**SYNOPSIS**

- **(14-1)** The Regional Office of Education 55 did not have sufficient internal controls over the financial reporting process.
- **(14-2)** The Regional Office of Education #55 did not have adequate internal controls over cash reconciliations.

**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 #55**  
**WHITESIDE COUNTY**

**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2014**

	<b>FY 2014</b>	<b>FY 2013</b>
<b>TOTAL REVENUES</b>	\$1,277,541	\$1,435,210
Local Sources	\$89,542	\$147,973
% of Total Revenues	7.01%	10.31%
State Sources	\$986,323	\$1,060,162
% of Total Revenues	77.20%	73.87%
Federal Sources	\$201,676	\$227,075
% of Total Revenues	15.79%	15.82%
<b>TOTAL EXPENDITURES</b>	\$1,325,264	\$1,431,303
Salaries and Benefits	\$1,074,385	\$1,152,529
% of Total Expenditures	81.07%	80.52%
Purchased Services	\$188,020	\$201,898
% of Total Expenditures	14.19%	14.11%
All Other Expenditures	\$62,859	\$76,876
% of Total Expenditures	4.74%	5.37%
<b>TOTAL NET POSITION</b>	\$463,655	\$511,378
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$34,001	\$37,306
Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Robert Sondgeroth Currently: Honorable Robert Sondgeroth

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

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

**The Regional Office of Education #55 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #55 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 #55 did not have sufficient internal controls over the financial reporting process. 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 and correct financial statement misstatements and disclosure omissions in a timely manner.

During review of the Regional Office of Education #55's financial information prepared by the Regional Office of Education #55, it was noted that the Regional Office did not have adequate controls to ensure financial statement balances were accurate. While the Regional Office did maintain records to indicate the balances of financial statement accounts, numerous material audit adjustments were proposed in order to ensure those balances were accurate. Management did not effectively detect all of the material adjustments needed in order to present financial statements in accordance with GAAP. (Finding 2014-001, pages 11-12) **This finding was first reported in 2009.**

The auditors recommended that, as part of internal control over the preparation of financial statements, including disclosures, the Regional Office of Education #55 should implement comprehensive preparation procedures to ensure that the financial statements, including disclosures, are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education #55's activities and operations.

The Regional Office of Education #55 responded that it will continue to maintain its accounting records on the cash basis of accounting. The Regional Office noted that, at the present time, the additional cost to the Regional Office of hiring or contracting the services outweighs the benefits. If additional financial resources are made available through the County or State of Illinois, the Regional Office will consider seeking the services of an accountant to review the financial statements and related disclosures for completeness and accuracy. (For previous Regional Office response, see Digest Footnote #1.)

### **CONTROLS OVER CASH RECONCILIATIONS**

#### **The Regional Office of Education #55 did not have adequate internal controls over cash reconciliations.**

Adequate internal controls over cash require that all cash in the custody of the Regional Office of Education #55 be recorded in the general ledger and that each month's bank statements are reconciled to the related general ledger cash account balances.

The Regional Office of Education #55's general ledger cash account balances at June 30, 2014 were not properly reconciled to the related bank statements. Audit adjustments were proposed to correct errors in the general ledger cash accounts. The most significant adjustment was to correct cash payments in the Distributive Fund for the month of May 2014. The payments were erroneously posted in the general ledger to a liability account as opposed to reducing the fund's cash balance in the amount of \$229,167. The net effect of proposed audit adjustments to cash reduced general ledger cash account balances by \$224,672.

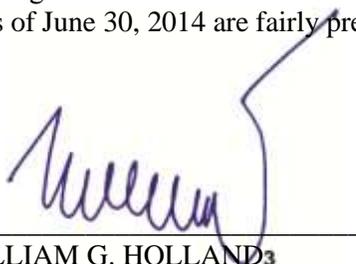
The Regional Office of Education #55 did not properly perform monthly bank reconciliations. The Regional Office of Education #55 matched cash deposits and disbursements occurring on the monthly bank statements to the general ledger activity; however, the Regional Office of Education #55 did not consider the accuracy of the ending general ledger cash account balances. (Finding 2014-002, page 13)

The auditors recommended that the Regional Office of Education #55's management should continue to review and document approval of the monthly bank reconciliations. Management should ensure that each bank account reconciles to the related general ledger cash account balances. Reconciliations should be completed in a timely manner and reviewed to ensure all reconciling items are reasonable and receive appropriate follow up.

The Regional Office of Education #55 responded that it will make a continuous effort to ensure that the ledger cash balances reconcile with the bank monthly statements.

## **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #55's financial statements as of June 30, 2014 are fairly presented in all material respects.

A handwritten signature in blue ink, appearing to read "William G. Holland", is written over a horizontal line.

WILLIAM G. HOLLAND<sub>3</sub>  
Auditor General

WGH:KJM

AUDITORS ASSIGNED: Winkel, Parker & Foster, CPA PC were our special assistant auditors.

## **DIGEST FOOTNOTE**

### **#1: Controls Over Financial Statement Preparation - Previous Regional Office Response**

In its prior response in 2013, the Regional Office of Education #55 responded that it will continue to maintain its accounting records on the cash basis of accounting. The Regional Office noted that, at the present time, the additional cost to the Regional Office of hiring or contracting the services outweighs the benefits. If additional financial resources are made available through the County or State of Illinois, the Regional Office will consider seeking the services of an accountant to review the financial statements and related disclosures for completeness and accuracy.