



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

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**STATE CHARTER SCHOOL COMMISSION**

**COMPLIANCE EXAMINATION**

**For the Period:**

**November 1, 2011 through January 24, 2013**

**Release Date: July 31, 2014**

**Summary of Findings:**

**Total this audit: 4**

**Total last audit: N/A**

**Repeated from last audit: N/A**

**INTRODUCTION**

The School Code (Code) (105 ILCS 5/27A-7.5) established the State Charter School Commission (Commission) as an independent State agency effective July 20, 2011. Commission members began serving terms of office on November 1, 2011. Effective January 25, 2013, Public Act 97-1156 designated the Commission as an independent Commission, rather than a State agency, and placed the Commission under the authority of the Illinois State Board of Education for administrative purposes only. We examined the Commission from commencement of operations on November 1, 2011 until its designation as an independent Commission on January 25, 2013.

**SYNOPSIS**

- The Commission had an unwritten agreement and inadequate internal controls over a fiscal agent.
- The Commission did not maintain adequate controls over receipt and expenditure records.

{Expenditures and Activity Measures are summarized on the reverse page.}

**STATE CHARTER SCHOOL COMMISSION  
COMPLIANCE EXAMINATION  
For the Period November 1, 2011 Through January 24, 2013**

<b>EXPENDITURE STATISTICS</b>	<b>2013</b>	<b>2012</b>
<b>State Charter School Commission Fund - 674</b>		
<b>Total Expenditures.....</b>	<b>\$ 89,621</b>	<b>\$ 42,496</b>
OPERATIONS TOTAL.....	\$ 89,621	\$ 42,496
% of Total Expenditures.....	100.0%	100.0%
<b>Total Receipts.....</b>	<b>\$ 189,628</b>	<b>\$ 100,000</b>
<p>Note: The Commission had additional receipts and expenditures totaling \$70,000 accounted for by a fiscal agent outside of the State Treasury.</p>		
<b>Number of Employees.....</b>	<b>1</b>	<b>1</b>

<b>AUTHORITY DIRECTOR</b>
<p>During Examination Period: Jeanne Nowaczewski (Effective 4/16/12) Jeanne Nowaczewski, Interim Part-Time Director (11/1/11 - 4/16/12)</p>

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**UNWRITTEN AGREEMENT AND INADEQUATE  
CONTROLS OVER FISCAL AGENT**

The Commission did not reduce to writing or ensure sufficient internal controls were in place regarding an agreement between the Commission and the Illinois Network of Charter Schools (INCS) to serve as the Commission's fiscal agent.

**\$70,000 was collected and expended  
by a fiscal agent**

A verbal agreement was made that allowed INCS to collect and expend money on behalf of the Commission in an account outside of the State Treasury. The Commission directed INCS on how funds should be expended and made INCS aware of anticipated donations. INCS reported 26 expenditures totaling \$70,000 from three donations and a grant for Commission operations. (Finding 1, Pages 9-10)

**The fiscal agent processed 30  
transactions over a six month period**

We recommended the Commission put all agreements with external parties in writing and establish sufficient internal controls to ensure expectations are met and to protect the financial and legal interests of parties involved.

**Commission official agreed with the  
auditors**

Commission management agreed with our finding and recommendation and stated corrective action will be taken.

**INADEQUATE CONTROLS OVER RECEIPT AND  
EXPENDITURE RECORDS**

The Commission did not maintain accurate, complete, and timely receipt and expenditure records. The Commission also did not reconcile Commission receipt and expenditure records with the Office of the Comptroller's monthly reports. We noted the following:

**Commission records were not  
reconciled to Comptroller reports**

- The Commission did not perform monthly reconciliations of Commission receipts totaling \$289,628 and expenditures totaling \$132,117 for the State treasury-held State Charter School Commission Fund (Fund 674) during the examination period.

**Treasury-held receipts totaled  
\$289,628 and expenditures totaled  
\$132,117**

- Commission did not maintain accurate receipt and expenditure records. The Commission's receipt records omitted a \$1,000 receipt and did not calculate or report total receipts received. Errors in expenditure records totaling \$875 included vouchers recorded for the wrong amount, vendor, and purpose.

**Transactions were not timely  
recorded in register**

- The Commission did not timely record expenditures and receipts in its transaction register.

**Receipts were deposited late or lacked receipt dates to determine timeliness**

- We tested two of six deposits into Fund 674 and noted one receipt was deposited late and official agency records did not include the actual receipt date. The other receipt lacked a receipt date needed to determine timeliness of deposit. (Finding 2, Pages 11-13)

We recommended the Commission ensure financial transactions are accurately recorded, deposited, and reconciled in a timely manner.

**Commission official agreed with the auditors**

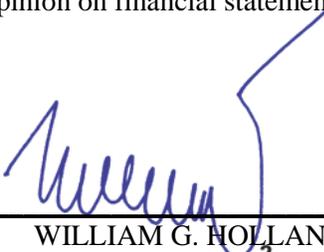
Commission management agreed with our finding and recommendation and stated corrective action will be taken.

**OTHER FINDINGS**

The remaining findings pertain to a lack of property records and internal controls over compliance.

**AUDITOR'S OPINION**

We conducted a compliance examination of the State Charter School Commission as required by the Illinois State Auditing Act. The Commission had no funds that required an audit leading to an opinion on financial statements.



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WILLIAM G. HOLLAND  
Auditor General

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**AUDITORS ASSIGNED**

This examination was performed by staff of the Office of the Auditor General.