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OFFICE OF THE AUDITOR GENERAL  
WILLIAM G. HOLLAND

5-94-48100-10

REPORT DIGEST

DEPARTMENT OF REHABILITATION SERVICES  
ILLINOIS SCHOOL FOR THE VISUALLY IMPAIRED  
FINANCIAL AND COMPLIANCE AUDIT  
FOR THE TWO YEARS ENDED JUNE 30, 1994

SYNOPSIS

- Property and equipment record keeping and control functions are not adequate. This condition has existed since 1988.
- An employee of the School maintained an unauthorized cash account connected with the Independent Living Fund and receipts were not deposited into the proper funds as required.
- An unresolved utility bill dispute has resulted in finance charges accruing at the rate of \$1,000 per month. More than \$31,000 in finance charges had accumulated at June 30, 1994.

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

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RECYCLED PAPER · SOYBEAN INK

**ILLINOIS DEPARTMENT OF REHABILITATION SERVICES**  
**ILLINOIS SCHOOL FOR THE VISUALLY IMPAIRED**  
**FINANCIAL AND COMPLIANCE AUDIT**  
**For The Two Years Ended June 30, 1994**

EXPENDITURE STATISTICS	FY 1994	FY 1993	FY 1992
● Total Expenditures (All Funds) . . . . .	\$5,457,652	\$5,047,681	\$4,817,750
<b>OPERATIONS TOTAL</b> . . . . .	\$5,457,652	\$5,047,681	\$4,817,750
% of Total Expenditures . . . . .	100.00%	100.00%	100.00%
Personal Services . . . . .	\$4,238,559	\$3,845,006	\$3,749,750
% of Operations Expenditures . . . . .	77.66%	76.17%	77.83%
Average No. of Employees . . . . .	143	141	141
Other Payroll Costs (FICA, Retirement) . . . . .	\$518,813	\$468,473	\$305,389
% of Operations Expenditures . . . . .	9.51%	9.28%	6.34%
Contractual Services . . . . .	\$349,950	\$340,088	\$319,394
% of Operations Expenditures . . . . .	6.41%	6.74%	6.63%
All Other Operations Items . . . . .	\$350,330	\$394,114	\$443,200
% of Operations Expenditures . . . . .	6.42%	7.81%	9.20%
● Cost of Property and Equipment . . . . .	\$10,132,166	\$9,981,083	\$9,708,597

SELECTED ACTIVITY MEASURES	FY 1994	FY 1993	FY 1992
● Average Student Population . . . . .	106	112	115
● Employee to Student Ratio . . . . .	1.35	1.26	1.26
● Cost per Student . . . . .	\$50,201	\$43,475	\$39,974

AGENCY DIRECTOR(S)
During Audit Period: Dr. Richard G. Umsted, Superintendent Currently: Mr. Charles W. Martin, Acting Superintendent

## FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

### PROPERTY CONTROL AND RECORD KEEPING

For a number of years we have been citing School management's inability to establish and maintain accurate property and equipment records. This situation still exists, leading to inaccurate beginning balances and ending balances, and to errors in recording of transactions during the audit period.

During this audit, we noted exceptions with 31% of the items we tested. We also noted that equipment costing \$22,348 had been deleted from ISVI's property list because it had disappeared between the '92 and '93 physical inventories. It appeared that the primary cause of the current deficiencies was the decision to not replace a retiring property manager. (Finding 1, page 16). **This finding has been repeated since 1988.**

We recommended School management develop and distribute uniform property control procedures to school employees. We also recommended that the school fill its property manager vacancy.

Agency management concurred with the need to control property and indicated that appropriate steps would be taken to resolve this issue, including considering filling the property manager vacancy. (For previous agency responses, see Digest Footnote 1.)

### UNAUTHORIZED CASH ACCOUNT

During the course of our audit, Department personnel brought to our attention the existence of an unauthorized cash account operated in connection with the Independent Living Fund. The purpose of the fund is to account for miscellaneous receipts and expenditures to acclimate graduating students to living independently. We were able to verify the existence of a \$668.00 balance in the unauthorized cash account, and we documented expenditures of \$918.00 from the account -- none of which were processed through the School's business office. The General Revenue Fund should have received \$84 of the \$668, and \$584 should have been deposited into various locally held funds. Since the account was neither authorized nor handled through normal channels, actual receipts and disbursements were not determinable.

The employee responsible for the cash account was also the custodian of an authorized locally held fund, so that the receiving and disbursing of monies by that individual was not considered unusual. An adequate control environment should have detected that certain receipts and expenditures were not flowing through the authorized fund. The employee involved has been transferred to the Department's Central Office.

We recommended School management communicate to all school employees the proper procedures for handling cash and establish controls designed to assure that no unauthorized accounts are allowed to exist.

Department management concurred.

**UNPAID FINANCE CHARGES ON DELINQUENT UTILITY BILLS**

An unresolved dispute with the local electric utility has led to the existence of an ongoing accrual of finance charges that exceeds \$1,000 per month. At June 30, 1994, the unresolved balance due was \$58,364 including \$31,271 for finance charges. The circumstances leading to this situation arose because the business office does not reconcile utility bills, but merely pay the current month's amount due which led to the skipping of certain monthly payments in FY91.

We recommended the School take steps to resolve this situation including negotiations to stop the further accrual of finance charges.

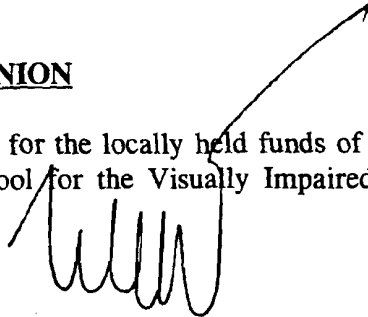
Department management indicated that it would request the General Assembly to appropriate funds to pay the amounts due.

**OTHER FINDINGS**

The remaining finding addressed the overstocking of certain commodities items which the School appears to be addressing through the implementation of its new computerized system. We will review the adequacy of implementation during our next audit.

**AUDITORS' OPINION**

Our auditors state that the financial statements for the locally held funds of the Illinois Department of Rehabilitation Services - Illinois School for the Visually Impaired are fairly presented.



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WILLIAM G. HOLLAND, Auditor General

WGH:RR:jr  
May 18, 1995

**SUMMARY OF AUDIT FINDINGS**

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	4	2
Repeated findings	2	1
Recommendations implemented or not repeated (in part)	1	1

## SPECIAL ASSISTANT AUDITORS

Our special assistant auditors for this audit were Guthoff & Co.

### DIGEST FOOTNOTES

#### #1: PROPERTY CONTROL PROBLEMS - Previous Agency Responses.

- 1992: "We concur and accept this recommendation."
- 1990: "We concur with the recommendation."
- 1988: "Recommendation accepted. The Business Office staff have been reminded of the established procedures for reporting and recording all equipment transactions. Annual physical inventory counts will be performed by someone other than the property clerk."