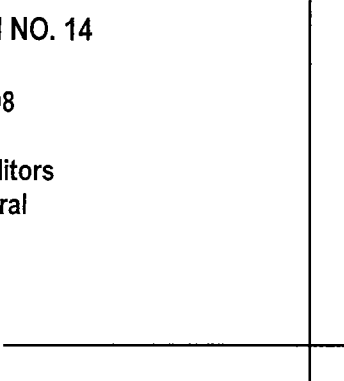


**State of Illinois
SUBURBAN COOK COUNTY
REGIONAL OFFICE OF EDUCATION NO. 14
FINANCIAL AUDIT
For the Year Ended June 30, 2008**

**Performed as Special Assistant Auditors
for the Office of the Auditor General**



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SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
OFFICIALS

Regional Superintendent
(current and during the audit period)

Honorable Dr. Charles A. Flowers

Assistant Regional Superintendent
(current and during the audit period)

Dr. Harry Reynolds

Assistant Regional Superintendent
(11 months during the audit period)

Dr. Nichelle Rivers

Assistant Regional Superintendent
(current and during the audit period)

Dr. Predonna Roberts

Assistant Regional Superintendent
(current)

Mrs. Cynthia Broughton

Office is located at:

10110 Gladstone Street
Westchester, Illinois 60154-2618

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14

FINANCIAL REPORT SUMMARY

The financial audit testing performed in this audit was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

AUDITOR’S REPORTS

The auditor’s reports contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	12	3
Repeated audit findings	3	1
Prior recommendations implemented or not repeated	0	1

Details of audit findings are presented in a separately tabbed report section.

SUMMARY OF FINDINGS AND QUESTIONED COSTS

<u>Item</u>	<u>Page</u>	<u>Description</u>	<u>Type</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
08-1	10-11	Controls Over Financial Statement Preparation	Material Weakness
08-2	12-14	Continuation as a Going Concern	Material Weakness
08-3	15-16	Inadequate Accounting Software and Internal Controls	Significant Deficiency
08-4	17-18	Inadequate Internal Control Over Disbursements	Material Weakness
08-5	19	Reconciliation of Bank Statements and Pooled Cash Accounts	Material Weakness
08-6	20-21	Inadequate Controls Over Property and Equipment	Material Weakness
08-7	22	Recording of Payroll Transactions	Material Weakness
08-8	23-24	Cash Advances to Employees	Significant Deficiency
08-9	25-26	Payment of Finance Charges, Late Fees, Transfer Fees, Other Service Charges, and Sales Taxes	Significant Deficiency
08-10	27-28	Use of Regional Office Credit Cards	Material Weakness
08-11	29-30	Questionable Payroll Payments	Significant Deficiency
08-12	31-32	Restricted Funds Used for Unauthorized Purpose	Material Weakness

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14

FINANCIAL REPORT SUMMARY

<u>Item</u>			
<u>No.</u>	<u>Page</u>	<u>Description</u>	<u>Type</u>

PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)

None

EXIT CONFERENCE

The findings and recommendations appearing in this report were discussed with Agency personnel at exit conference calls held on May 11, 2009 and May 13, 2009. Attending were Honorable Dr. Charles A. Flowers, Regional Superintendent; Julie A. Sterns, Business Manager; Kelly Mittelstaedt, Office of the Auditor General; and Joe Hoerschelmann, Clifton Gunderson LLP. Responses to the recommendations were provided by Honorable Dr. Charles A. Flowers, Regional Superintendent on May 20, 2009.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of Suburban Cook County Regional Office of Education No. 14 was performed by Clifton Gunderson LLP.

Based on their audit, the auditors expressed a disclaimer of opinion on Suburban Cook County Regional Office of Education No. 14's basic financial statements.

INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we were engaged to audit the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Suburban Cook County Regional Office of Education No. 14, as of and for the year ended June 30, 2008, which collectively comprise the Suburban Cook County Regional Office of Education No. 14's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Suburban Cook County Regional Office of Education No. 14's management.

Suburban Cook County Regional Office of Education No. 14's accounting records were inadequate and contained numerous errors. As a result, we were unable to satisfy ourselves about the accuracy and completeness of the accounting records through applying our audit procedures.

Because of the matter discussed in the above paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2009, on our consideration of the Suburban Cook County Regional Office of Education No. 14's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Suburban Cook County Regional Office of Education No. 14 has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was to be conducted for the purpose of forming opinions on the financial statements that collectively comprise the Suburban Cook County Regional Office of Education No. 14's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Because the accounting records of Suburban Cook County Regional Office of Education No. 14 were inadequate and we were unable to apply other auditing procedures regarding the accuracy and completeness of the accounting records as discussed in the second paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the combining and individual nonmajor fund financial statements and budgetary comparison schedules.

Clifton Henderson LLP

Clinton, Iowa
June 2, 2009

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Suburban Cook County Regional Office of Education No. 14, as of and for the year ended June 30, 2008, which collectively comprise the Suburban Cook County Regional Office of Education No. 14's basic financial statements and have issued our report thereon dated June 2, 2009. We did not express an opinion on the financial statements because we were unable to satisfy ourselves as to the accuracy and completeness of Suburban Cook County Regional Office of Education No. 14's accounting records, as described in finding 08-4. Except as discussed in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Suburban Cook County Regional Office of Education No. 14's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements and not for the purpose of expressing an opinion on the effectiveness of the Suburban Cook County Regional Office of Education No. 14's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Suburban Cook County Regional Office of Education No. 14's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying Schedule of Findings and Questioned Costs to be significant deficiencies in internal control over financial reporting, 08-1, 08-2, 08-3, 08-4, 08-5, 08-6, 08-7, 08-8, 08-9, 08-10, 08-11, and 08-12.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider items 08-1, 08-2, 08-4, 08-5, 08-6, 08-7, 08-10, and 08-12 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Suburban Cook County Regional Office of Education No. 14's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which is described in finding 08-12.

Suburban Cook County Regional Office of Education No. 14's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit Suburban Cook County Regional Office of Education No. 14's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, others within the organization, the Illinois State Board of Education, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Clifton Henderson LLP

Clinton, Iowa
June 2, 2009

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section I: Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: _____ Disclaimer of Opinion _____

Internal control over financial reporting:

- Material weakness(es) identified? x yes no
- Significant deficiencies identified that are not
 considered to be material weaknesses? x yes none reported
- Noncompliance material to financial statements noted? x yes no

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 08-1 - Controls Over Financial Statement Preparation (Repeat from 2007 - No. 07-1)

Criteria/Specific Requirement:

The Regional Office of Education No. 14 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 and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

Condition:

The Regional Office of Education No. 14 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the cash basis of accounting. 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. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not maintain adequate internal controls over the processing of all financial transactions and numerous adjustments would be required to present financial statements in accordance with generally accepted accounting principles.
- The Regional Office did not have adequate controls over the maintenance of complete records of accounts payable, deferred revenues, payroll, general disbursements, or capital assets.
- Due to the inadequate controls noted above, the Regional Office's trial balance was incomplete. The following issues were noted:
 - Upon arriving to the Regional Office in October, 2008, it was noted that numerous items had not been recorded. Payroll expense had not been recorded for the final 5 months of the fiscal year.
 - A loan from Cook County for \$190,000 was not recorded in the general ledger by the Regional Office.
 - Receivables resulting from employee cash advances were not recorded in the general ledger by the Regional Office.
 - Depreciation of capital assets was not recorded in the general ledger by the Regional Office.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 08-1 - Controls Over Financial Statement Preparation (Repeat from 2007 - No. 07-1)(Continued)

- Deferred revenue was not properly adjusted by the Regional Office throughout the year.
- Accounts receivable and accounts payable were not properly adjusted by the Regional Office throughout the year.
- Upon notifying Regional Office personnel of these issues, a new trial balance was prepared by the Regional Office and provided to auditors in December, 2008. It was noted that entries had been made to record the missing payroll and the loan received from Cook County. However, no entries were noted regarding the employee cash advances, capital asset depreciation, deferred revenue, or accounts receivable/accounts payable.

Effect:

Management or employees in the normal course of performing their assigned functions may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

Cause:

According to Regional Office officials, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements. There was also a lack of management oversight and review of financial information on a timely basis.

Recommendation:

As part of its internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education No. 14 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations.

Management's Response:

An outside payroll service was added in 2008. This provides payroll controls when using an outside service. In 1/5/09 the business manager was replaced with a CPA. We are set to implement the new accounting software package, and received the initial training.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 08-2 - Continuation as a Going Concern (Repeat from 2007 - No. 07-2, 2006 - No. 06-2)

Criteria/Specific Requirement:

All audits conducted in accordance with generally accepted auditing standards require the auditor to evaluate the entity's financial position and contemplate the continuation of the entity as a going concern.

Condition:

The Suburban Cook County Regional Office of Education No. 14's liabilities exceeded its total net assets by \$941,844 as of June 30, 2008. If the Regional Office continues to operate at the current level without obtaining additional funding or decreasing expenditures, its ability to continue as a going concern is questionable. Revenues decreased by \$39,816 in fiscal year 2008 while expenditures increased by \$334,348 in the same period. The deficiency of revenues over expenditures was \$528,410 for the year ended June 30, 2008 as compared to \$154,246 for the year ended June 30, 2007.

Despite a finding in the prior two audits (fiscal years 2006 and 2007) regarding the Regional Office's ability to continue as a going concern, Regional Office officials made significant new expenditures in fiscal year 2008. These included:

- Payroll expenses increased by approximately \$146,000 from FY 07 levels.
- At least 20 new computers at a cost of \$21,218.
- During fiscal year 2008, a new phone system was purchased at a cost of approximately \$9,300. Based on review of the fixed asset listing from the prior year, it was noted that a phone system for the Regional Office was purchased in October 2006 at a cost of \$8,900.

In addition, on June 17, 2008, the Regional Office obtained a loan from Cook County in the amount of \$190,000. This loan was used to finance Regional Office operations. Given the financial condition of the Regional Office, there is concern as to the ability of the Regional Office to repay this loan, which is due June 30, 2009. In most cases, it is not typical for a Regional Office of Education to pursue debt in order to continue operations.

Effect:

At the present time, financial statement analysis shows that the Suburban Cook County Regional Office of Education No. 14 will not be able to continue as a going concern in future years unless it lowers expenditures or continues to find sources of additional funding.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 08-2 - Continuation as a Going Concern (Repeat from 2007 - No. 07-2, 2006 - No. 06-2) (Continued)

Cause:

The Regional Office management undertook significant expenditures without the plans in place to adequately fund such expenditures. In addition, there were many questionable uses of Regional Office funds, such as for payroll advances and payment of personal expenses, which contributed to the financial problems of the Regional Office. These matters are covered by subsequent findings in this report. Regional Office officials stated that the Suburban Cook County Regional Office of Education No. 14 is the only Regional Office of Education in the State of Illinois that does not receive funding from its respective county.

Recommendation:

The Suburban Cook County Regional Office of Education No. 14 should attempt to streamline operations so that expenditures are lowered and/or continue to seek additional funding sources.

Management's Response:

Response to expenses: It appears that expenses are overstated by the following assets:

Computer cost:	\$24,685
IT services:	\$12,242
Copier:	\$10,195
Telephone system:	\$11,790
Fingerprinting machines (2):	\$1,809
Postage Machine :	\$2,220
Accounting software:	<u>\$2,971</u>
Subtotal before depreciation:	<u>\$65,912</u>

Response to going concern: We have considered this going concern issue and developed 5 plans.

1. A strong initiative in directory and web link advertisements.
2. We have secured an e-rate grant to absorb 65% of telecommunication costs for the year ending 6/30/2010.
3. We are in the process of offering professional development classes to increase revenues.
4. We are planning to change the allocation of the ROE/ISC annual operations budget for year ending 6/30/2010. We plan to increase the amount appropriated to the operations of the regional office and correspondingly decrease the amounts distributed to the ISC's. As of 6/30/07, the three, Cook County ISC's have accumulated net assets of \$2,610,373, \$247,543 & \$9,696,372 respectively. This is in contrast to the 6/30/07 deficit of (\$413,434) at ROE14. Thus there is a plan to balance the budget at ROE 14 with appropriate allocations sufficient to satisfy certification salaries.
5. All other regional offices in Illinois receive funding from their associated counties. ROE 14 does not receive funding from Cook County to support salaries, rent and other operation costs. We have progressed in relations and statutes in this area.

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008**

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 08-2 - Continuation as a Going Concern (Repeat from 2007 - No. 07-2, 2006 - No. 06-2) (Continued)

Auditor Comment:

During the course of the audit, the Regional Office of Education was unable to provide auditors with a complete fixed asset listing to support the fiscal year 2008 additions and their associated depreciation. Consequently, for many of the asset expenses presented in the ROE's responses, auditors did not have the necessary expense information to propose the appropriate adjustment to the ROE's financial statements.

Even if the total expenses detailed in the ROE's response, \$65,912, were removed from the ROE's expenses presented in the government-wide financial statements, the ROE's liabilities would still exceed its nets assets by \$875,932 and would not obviate the auditor's finding regarding the ROE's ability to continue as a going concern.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 08-3 - Inadequate Accounting Software and Internal Controls (Repeat from 2007 - No. 07-3)

Criteria/Specific Requirement:

The Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system to prevent errors and irregularities. In addition, the Regional Office of Education is required by the Illinois State Board of Education to maintain their accounting system in accordance with the Regional Office of Education Accounting Manual. The Manual requires the Regional Office of Education to maintain an accounting system on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual balances and changes therein.

Condition:

The Regional Office of Education utilizes an accounting software package which was not designed for governmental entities. The package does not provide the internal controls and reporting features required for proper fund accounting. The software package allows for the revenues and expenses of the Regional Office of Education's programs to be accounted for separately, but combines all assets, liabilities, and fund balances. The Regional Office had purchased a new accounting system but had not placed it into service.

Effect:

With the current software package, management cannot easily obtain entity-wide financial information necessary to make informed management decisions. Without an accounting system with proper internal controls, errors or misappropriations may occur and not be detected by management. In addition, financial statements in accordance with generally accepted accounting principles and the Regional Office of Education Accounting Manual cannot be readily prepared from the current accounting system.

Cause:

A new accounting software package had not been implemented at the office that allows the Regional Office to maintain an accounting system on a fund basis.

Recommendation:

The Suburban Cook County Regional Office of Education No.14 should implement an accounting software application that provides the necessary controls and reporting features required for proper fund accounting. An appropriate accounting system will support the multiple programs and funds administered by the Regional Office. The accounting system should have the capabilities necessary for the Regional Office to be in compliance with the Regional Office of Education Accounting Manual and provide the reporting detail necessary to prepare financial statements in accordance with generally accepted accounting principles.

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008**

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 08-3 - Inadequate Accounting Software and Internal Controls (Repeat from 2007 - No. 07-3) (Continued)

Management's Response:

The current software has a break down option for class. Each fund is currently broken down by class. We plan to implement the new software with a better capacity for fund accounting for the period beginning 7/1/08-6/30/09. Initial training for this software package is complete.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 08-4 - Inadequate Internal Control Over Disbursements

Criteria/Specific Requirement:

The Regional Office of Education is responsible for establishing and maintaining an internal control system over disbursements and reimbursements to prevent errors and fraud.

Condition:

During the audit we noted the following weaknesses in the Regional Office's internal control system:

- a. In 10 of 50 transactions tested, there was no invoice to support the expenditure.
- b. In 13 of 50 transactions tested, there was not proper approval of expenditures before payment was made.
- c. In 2 of 50 transactions tested, it was noted that non-business-purpose advances were paid to employees. This matter is covered by a subsequent finding in this report.
- d. In 2 of 50 transactions tested, it was noted that an Assistant Regional Superintendent was being paid from grant funds for consulting services. The Assistant Regional Superintendent was also receiving salary from State on-behalf payments. This matter is covered by a subsequent finding in this report.
- e. In 5 of 50 transactions tested, copies of invoices, as opposed to original invoices, were used as supporting documentation for expenditures. In these cases, the Regional Office failed to maintain original copies of the invoices from the vendors and as a result had to contact the vendor for another copy.
- f. In 2 of 50 transactions tested, there was documentation to support the expenditure amount, however no documentation to prove that the expenditure related to Regional Office activities.
- g. In 2 of 50 transactions tested, the amount paid was incorrectly calculated. In one instance, an employee's hours were calculated improperly and the employee was overpaid. This matter is covered by a subsequent finding in this report. The other instance related to a mileage reimbursement that was incorrectly totaled on the reimbursement form and subsequently paid without correction.
- h. In 1 of 50 transactions tested, the invoice was not marked paid and did not reference a check number. This situation would allow for an invoice to be inadvertently paid twice.
- i. In 2 of 50 transactions tested, the expenditure was not paid timely for reimbursements.
- j. In 2 of 50 transactions tested, it was noted that sales taxes were paid. The Regional Office is exempt from the payment of sales tax but did not provide documentation to the vendor to avoid paying the sales tax.
- k. In 1 of 50 transactions tested, an expenditure was not recorded in the proper period.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 08-4 - Inadequate Internal Control Over Disbursements (Continued)

Because of the overall lack of internal controls, which resulted in the problems listed above, questions as to the accuracy and completeness of the general ledger, and problems noted in other findings throughout this report, auditors terminated work before testing was completed and issued a disclaimer of opinion on the financial statements for the year ended June 30, 2008.

Effect:

The internal control weaknesses noted above could result in unintentional or intentional errors or misappropriation of assets, where the errors or fraud 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.

Cause:

The Regional Office has not established sufficient internal control procedures.

Recommendation:

The Suburban Cook County Regional Office of Education No. 14 should assure that a system of internal controls has been established and is maintained to control disbursements and prevent errors and fraud.

Management's Response:

We have implemented the controls with segregation of duties. For instance, as of 1/5/09 the person who handles the books does not sign the checks. Also, the accounts payable files have been put in order. We have instituted procedures, such as including all business receipts for any reimbursements.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 08-5 - Reconciliation of Bank Statements and Pooled Cash Accounts

Criteria/Specific Requirement:

The bank statements and pooled cash accounts should be reconciled in a timely manner and not less than monthly.

Condition:

The Suburban Cook County Regional Office of Education No. 14 maintains pooled cash accounts for many of their funds. The Regional Office did not complete the last 9 of 12 monthly reconciliations of its bank statements and pooled cash accounts for fiscal year ended June 30, 2008. These were completed in December 2008 after auditors brought the situation to the attention of management. The Regional Office was unable to locate original copies of the bank statements and had to contact their bank to request new copies.

Effect:

Inaccurate recording of program transactions could result without being discovered and corrected causing incomplete and inaccurate financial information.

Cause:

Reconciliations of the bank statements and pooled cash accounts were not completed timely.

Recommendation:

The Suburban Cook County Regional Office of Education No. 14 should ensure that all bank statements and pooled cash accounts are reconciled timely and not less than monthly.

Management's Response:

We have implemented a running reconciliation for both bank accounts. This is adjusted at least every 2 days. This has been effective to constantly monitor our cash flow.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 08-6 - Inadequate Controls Over Property and Equipment

Criteria/Specific Requirement:

The Regional Office of Education (ROE) Accounting Manual requires each ROE to maintain detailed fixed asset records for both accounting purposes as well as insurance purposes, for fixed assets costing \$500 or more. Generally accepted accounting principles require that inventory of all fixed assets and depreciation schedules for assets meeting the capitalization threshold for reporting are maintained.

The ROE accounting manual also states that the fixed asset inventory records should include: the inventory control number (tag number); major asset class; function and activity; reference to the acquisition source document; acquisition date; vendor; a short description of the asset; unit charged with custody; location; fund and account from which purchased; method of acquisition; estimated useful life and method of depreciation; estimated salvage value; and date, method, and authorization of disposal.

In addition, sound internal controls require that policies and procedures on fixed assets should cover acquisition and tagging, recording and reporting, depreciation (if applicable), transfers and dispositions, and annual physical inventory, and that they should be formally documented and consistently applied.

Condition:

An updated fixed asset listing was not maintained by the Regional Office during the year. The Regional Office did not provide a listing to auditors until December 2008. The fixed asset listing that was provided was inaccurate and incomplete. Several items were missing from the asset listing. Many of the required details such as purchase date, cost, useful life, etc were not provided. Also, depreciation was not calculated for a majority of the items on the listing. The information provided was unreliable, and auditors were unable to obtain information to accurately reflect fixed assets maintained by the Regional Office.

Effect:

The absence of a sound system of internal controls over fixed assets can result in inaccurate reporting of fixed assets and inadequate physical control for equipment items. An incomplete fixed asset listing does not provide an adequate basis for physical control and losses may occur without being detected.

Cause:

The fixed asset listing was not updated when asset purchases occurred and the depreciation section of the listing was incomplete for some of the assets.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 08-6 - Inadequate Controls Over Property and Equipment (Continued)

Recommendation:

The Suburban Cook County Regional Office of Education No. 14 should adhere to the ROE Accounting Manual and should check the fixed asset listing for accuracy and existence through an annual physical inventory. Reconciliations should be performed between the fixed asset listing and the recorded capital outlay expenditures for the year. Finally, depreciation should be calculated and tracked on all fixed assets.

Management's Response:

Computers are tagged to support the material acquisitions. We are developing a system to record depreciation on these acquisitions, as well as the existing assets.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 08-7 - Recording of Payroll Transactions

Criteria/Specific Requirement:

The Regional Office of Education is responsible for ensuring that all program transactions, including payroll, are recorded timely and accurately.

Condition:

The Suburban Cook County Regional Office of Education No. 14 hired an outside agency to prepare payroll beginning in February 2008. Beginning on this date, no payroll transactions were entered into the accounting records until December 2008.

Effect:

Financial information maintained by the Regional Office was inaccurate and incomplete. This could result in inaccurate expenditure reports and account reconciliations. It also prevents management from using financial information to effectively make decisions and conclusions about the entity's operations.

Cause:

Recording of payroll transactions was not completed timely. There were no reviews of financial information by management to ensure that program transactions were being recorded timely and accurately.

Recommendation:

The Regional Office of Education is responsible for ensuring that all program transactions, including payroll, are recorded timely and accurately. Management should review financial information on a regular basis to ensure that all program transactions are properly presented.

Management's Response:

We utilize an outside payroll service. Currently, we have developed a system to record the payroll transactions with each pay period. Also implemented is a system to reconcile the general ledger to the payroll tax returns.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 08-8 - Cash Advances to Employees

Criteria/Specific Requirement:

Internal controls should ensure that expenses incurred by the Regional Office are adequately documented, incurred for a business purpose, and represent economical and effective use of Regional Office resources.

Condition:

In testing 50 disbursement transactions, 2 instances were noted where cash advances were provided to employees. In both instances, contracts were signed by the Regional Superintendent and stipulated terms for repayment through payroll check deductions. Neither of the contracts required collateral or security in the event that the employee ceased employment at the Regional Office.

- The Regional Superintendent approved a cash advance for \$6,000 to an employee, who is also his family relative, for purposes not related to Regional Office operations. Repayments were to occur each pay period starting on April 4, 2008. The payroll register does not show any repayments between this date and June 30, 2008. The repayments were contracted to occur for 7 pay periods in fiscal year 2008; no actual repayments occurred.
- The Regional Superintendent approved a cash advance for \$9,000 to an employee for purposes not related to Regional Office operations. Repayments were to occur each pay period starting on November 16, 2007. It was noted that during 10 pay periods after the Regional Office began using an outside payroll vendor, there were 3 occasions where repayment was not made. Prior to the use of the outside payroll vendor, the auditors could not readily determine whether repayments had been made.

Effect:

Non-business purpose cash advances result in an improper use of Regional Office financial resources.

Cause:

According to Regional Office officials, the salary advances were made because the employees were experiencing financial difficulties.

Recommendation:

The Regional Office of Education should discontinue the practice of providing payroll advances to employees. For those payroll advances already granted, the Regional Office should seek repayment of those advances as expeditiously as possible.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 08-8 - Cash Advances to Employees (Continued)

Management's Response:

The cash advances have been paid in full to date. Going forward cash advances have been eliminated.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 08-9 - Payment of Finance Charges, Late Fees, Transfer Fees, Other Service Charges, and Sales Taxes

Criteria/Specific Requirement:

Internal controls should exist to ensure that bills are paid in a timely fashion. In addition, controls should be in place to ensure that sales taxes are not paid by the Regional Office.

Condition:

The Suburban Cook County Regional Office of Education No. 14 has 6 credit cards assigned to various employees. The Regional Office was only able to provide 41 of the 72 credit card statements for fiscal year 2008. Per review of these statements, it was noted that \$946 was incurred for finance charges, \$573 for late fees, and \$279 in other miscellaneous service charges. Approximately \$1,304 of the total \$1,798 in charges was incurred on the Regional Superintendent's credit card.

Auditors noted during their review of bank statements, that the Regional Office paid \$133 during fiscal year 2008 for performing wire transfers from their operating bank account.

In addition, in 2 of 50 transactions tested, it was noted that sales taxes were paid on Regional Office purchases.

Effect:

Payment of finance charges, late fees, transfer fees, other service charges, and sales taxes results in an ineffective use of Regional Office financial resources.

Cause:

Regional Office staff indicated that credit card bills were not paid timely due to employees not turning in invoices timely and invoices lacking proper documentation. There was a lack of management oversight to ensure that credit payments were approved and made timely.

Recommendation:

The Regional Office of Education should strengthen its internal controls to ensure that credit card bills are paid in a timely manner, reduce or eliminate the amount of transfer fees and other service charges incurred, and ensure that sales taxes are not incurred on goods purchased by the Regional Office.

Management's Response:

Regarding the sales tax issue, new procedures have been implemented: a voucher cannot be approved with taxes, since we are tax exempt. Payments on credit cards are made on a monthly basis and are no longer late, as we have hired a new business manager. Also, only superintendents & assistant superintendents and the office manager were afforded a business credit card. Currently, there are only 2 active credit cards, issued to the Regional and Deputy Superintendent.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 08-9 - Payment of Finance Charges, Late Fees, Transfer Fees, Other Service Charges, and Sales Taxes (Continued)

Regarding finance charges, we have eliminated a supplementary bank account to reduce fees. Ultimately, finance charges affect those with less cash. Thus, our primary objective to secure new revenues will indirectly reduce finance costs.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 08-10 - Use of Regional Office Credit Cards

Criteria/Specific Requirement:

Internal controls should ensure that expenses incurred by the Regional Office are adequately documented, incurred for a business purpose, and represent economical and effective use of Regional Office resources.

Condition:

The Suburban Cook County Regional Office of Education No. 14 has 6 credit cards assigned to various employees.

The Regional Office provided 41 of the 72 credit card statements for fiscal year 2008 for review. The following was noted during a review of these credit card statements:

- There was an overall lack of documentation to support credit card purchases. Seventy percent (94 of 135) of purchases made on the Regional Superintendent's credit card were not supported by receipts. The majority of credit card statements did not have supporting receipts and documentation attached to the payment vouchers and invoices.
- Credit cards were used for personal expenses. Of 40 purchases made with the Regional Superintendent's credit card that auditors selected for follow-up, at least 16 were made for personal purchases. These included airline tickets to Mississippi purchased for family members, as well as food and rental car expenses. On 9 occasions during the period October 2007 through February 2008, the Regional Superintendent withdrew a total of \$6,669 in cash advances on his credit card. These advances were taken both in Illinois and Mississippi. When auditors questioned the Regional Superintendent concerning the purpose for taking the cash advances, the Regional Superintendent stated the advances were so that a vehicle and furniture could be purchased for the Regional Office. However, the vehicle and furniture was never purchased by the Regional Office. According to the Regional Superintendent, these advances were paid back to the Regional Office from his personal accounts using "pay-by-phone" payments. The Regional Office was also charged \$219 in finance charges on these cash advances.
- Payments to the credit card company were made directly from the Regional Office, as well as "pay-by-phone" payments. The Regional Superintendent's credit card statement showed several "pay by phone" payments, totaling \$9,139. In addition, "pay-by-phone" fees were incurred in the amount of \$60. Regional Office officials indicated that the "pay-by-phone" payments were made from the Regional Superintendent's personal accounts to cover his personal transactions. However, since payments were made from a personal account, auditors were unable to obtain information to support this claim. The "pay-by-phone" payment amounts did not correlate directly with exact expenditure amounts. Auditors were unable to determine whether all non-business-purpose expenditures, including cash advances, were repaid from the Regional Superintendent's personal accounts.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 08-10 - Use of Regional Office Credit Cards (Continued)

- There were at least 46 meal or food purchases totaling \$3,198 on the Regional Superintendent's credit card. In most instances, there was not adequate support as to the reason for the expenditure. Subsequent to our inquiry, some receipts were provided. However, without documenting the individuals for whom the meal expenses were incurred, either on the meal receipt or a purchase voucher, prior to the time the credit card payment is being made, it is difficult to determine: 1) whether all the meals were of a business purpose; and 2) whether the meal charges were reasonable.
- Eleven of the 40 purchases made with the Regional Superintendent's credit card on which auditors conducted follow-up were purchases of meals or food. Of the 11, 4 were purchases made for ROE staff: \$736 for a holiday luncheon for staff, \$200 for ROE Leadership meeting and plans for the Superintendent Breakfast, \$133 for a luncheon for secretaries and administrative assistants, and \$127 for ROE Directors Luncheon Meeting. Five of the 11 were personal purchases. For two expenses classified as business by the Regional Superintendent, no information was provided as to who received the meals.

Effect:

Lack of adequate controls increase the susceptibility of Regional Office funds for questionable activities or abuse.

Cause:

Inadequate controls over the reporting and review of credit card purchases.

Recommendation:

The Regional Office of Education should ensure that appropriate documentation is provided for all credit card expenditures. Additionally, the Regional Office should establish a policy which prohibits the use of Regional Office credit cards for personal use. The policy should also require that each receipt for a meal expenditure submitted for reconciliation to the credit card statements should include documentation showing the purpose of the expenditure, to which program it applies, and for whom the meal was purchased. The Regional Office should seek repayment of any personal expenses charged on Regional Office credit cards.

Management's Response:

Personal purchases were repaid. The cards are to be utilized where there is a clear business purpose, thus no personal purpose; detail receipt back up is required. There is a written credit card policy that has been put in place.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 08-11 - Questionable Payroll Payments

Criteria/Specific Requirement:

The Regional Office of Education is responsible for ensuring its resources are efficiently used and that payroll payments are accurate.

Condition:

Assistant Regional Superintendents are paid by the State of Illinois. In fiscal year 2008, two Assistant Regional Superintendents at the Suburban Cook County Regional Office of Education No. 14 were paid \$87,644 and \$80,628 for a full year of work. These payments come directly from the State of Illinois for their services as Assistant Regional Superintendents.

In addition to these salary payments, these Assistant Regional Superintendents were paid monies by the Regional Office for consulting services related to State grants. The Assistant Regional Superintendents were paid approximately \$12,000 and \$9,400 in fiscal year 2008. Auditors questioned the Regional Superintendent as to whether these services were performed outside or in addition to normal working hours. The Regional Superintendent stated that these individuals worked on these grant activities during their normal working hours.

Another payroll deficiency related to the overpayment of the Regional Superintendent's nephew. Based on a review of one timesheet for this employee, auditors determined that the employee was being paid each day for his lunch hour. For example, the timesheet showed that he worked from 8:00am to 12:30pm, and then 1:30pm to 5:00pm, for a total of 8 hours. However, when his payroll was calculated, his pay included the 1 hour for lunch, or 9 hours. The total paid was \$865 (86.5 hours at \$10 per hour); however, the timecard indicated that only 77 hours were actually worked. This resulted in an overpayment of \$95 for the pay period. In addition, it was noted that this time card was not approved by a member of management. We did not test additional timesheets for the employee to determine whether additional discrepancies occurred.

Effect:

Regional Office resources are not being effectively used. If staff are being paid to work full-time for the Regional Office, it is questionable whether they should receive additional compensation for work performed during normal work hours. In addition, the payment of staff for hours not worked is a misuse of Regional Office funds.

Cause:

While the employee's time sheet was signed by the Regional Office's bookkeeper, it did not have an approval signature by a member of management.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 08-11 - Questionable Payroll Payments (Continued)

Recommendation:

The Regional Office of Education should not provide additional salary compensation to employees who are already receiving a full-time salary. In addition, employees' timesheets should be reviewed and approved. The Regional Office should seek repayment of any amounts overpaid to employees.

Management's Response:

Regarding the payment of lunch hours, all employees at ROE14 have been paid for lunch for at least the last ten years. It is considered in their overall pay package. Regarding the salaries paid from grants, originally there was a planned obligation to pay the assistant superintendent a portion of the grant. However, this will be discontinued going forward per this recommendation.

Auditor Comment:

Based on the Regional Office's general ledger and payroll register, the nephew was a contractual employee until February 2008 and was paid an hourly rate based on timesheets submitted. No timesheet was submitted for the unworked lunch hour. Further, the Regional Office provided no policy to document that it has been a longstanding practice to pay hourly employees for an unworked lunch hour.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 08-12 - Restricted Funds Used for Unauthorized Purpose

Criteria/Specific Requirement:

The Illinois School Code 105 ILCS 5/3-12 states that the Regional Superintendent shall use the Institute Fund to defray expenses incidental to teacher's institutes, workshops or meetings of a professional nature that are designed to promote the professional growth of teachers or for the purpose of defraying the expense of any general or special meeting of teachers or school personnel of the Region.

Condition:

The Regional Office's activities consist primarily of the processing of teacher certifications and registrations. Because of this, a majority of the expenses of the Regional Office are recorded to the Institute Fund and may or may not be in accordance with Illinois School Code 105 ILCS 5/3-12.

For example, a review of the general ledger account detail indicated that the Regional Office paid approximately \$340,345 in salaries and benefits to Regional Office employees out of the Institute Fund. Many of these employees have responsibilities that are outside of the Institute Fund activities and are not related to the purposes delineated in 105 ILCS 5/3-12 of the Illinois School Code.

Effect:

The Regional Office was not in compliance with 105 ILCS 5/3-12.

Cause:

In most Regional Offices of Education, salaries and benefits are paid out from the General Fund or from the appropriate grant fund should an employee be associated with that program. However, in the case of the Regional Office of Education No. 14, most of the money it receives into its General Fund from the State of Illinois is paid out to the Intermediate Service Centers. The main source of revenue for the Regional Office comes from the Institute Fund. As a result of these factors, the Regional Office uses these funds to pay for its operations. This is due to the Regional Office not having other funding sources available to them to carry out the responsibilities associated with the teacher certification and registration process.

Recommendation:

The Regional Office should use Institute Funds only for purposes delineated by 105 ILCS 5/3-12. The Regional Office should also seek additional funding sources in order to fund the operations of the office without being in violation of any State regulation.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 08-12 - Restricted Funds Used for Unauthorized Purpose (Continued)

Management's Response:

The Institute Fund does not allow for payment of salaries for the certification processors, by statute. Majority of the 6/30/08 ROE/ISC grant has been disbursed to ISC's. Thus, funds were not available from the operations grant to support certification. Unlike the other forty four regional offices of education in Illinois, we do not receive financial support from our county. We have however received a loan in the amount of \$190,000 from the county and are subject to repayment. We used the County Loan to pay the certification salaries, as well as other operating expenses. In response to this finding: It is our plan to allocate more of our operation grant to ROE14 for certification salaries and operations, and less to ISC's. In addition, we are working with our County to establish their financial support, per Senate Bill #186 that is currently under review.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2008

FINDING NO. 08-1 - Controls Over Financial Statement Preparation

Condition:

The Regional Office of Education No. 14 does not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the cash basis of accounting. 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. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not maintain adequate internal controls over the processing of all financial transactions and numerous adjustments would be required to present financial statements in accordance with generally accepted accounting principles.
- The Regional Office did not have adequate controls over the maintenance of complete records of accounts payable, deferred revenues, payroll, general disbursements, or capital assets.
- Due to the inadequate controls noted above, the Regional Office's trial balance was incomplete. The following issues were noted:
 - Upon arriving to the Regional Office in October, 2008, it was noted that numerous items had not been recorded. Payroll expense had not been recorded for the final 5 months of the fiscal year.
 - A loan from Cook County for \$190,000 was not recorded in the general ledger by the Regional Office.
 - Receivables resulting from employee cash advances were not recorded in the general ledger by the Regional Office.
 - Depreciation of capital assets was not recorded in the general ledger by the Regional Office.
 - Deferred revenue was not properly adjusted by the Regional Office throughout the year.
 - Accounts receivable and accounts payable were not properly adjusted by the Regional Office throughout the year.

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2008**

FINDING NO. 08-1 - Controls Over Financial Statement Preparation (Continued)

- Upon notifying Regional Office personnel of these issues, a new trial balance was prepared by the Regional Office and provided to auditors in December, 2008. It was noted that entries had been made to record the missing payroll and the loan received from Cook County. However, no entries were noted regarding the employee cash advances, capital asset depreciation, deferred revenue, or accounts receivable/accounts payable.

Plan:

An outside payroll service was added in 2008. This provides payroll controls when using an outside service. In 1/5/09 the business manager was replaced with a CPA. We are set to implement the new accounting software package, and received the initial training.

Anticipated Date of Completion:

June 30, 2009

Name of Contact Person:

Honorable Dr. Charles Flowers, Regional Superintendent

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2008**

FINDING NO. 08-2 - Continuation as a Going Concern

Condition:

The Suburban Cook County Regional Office of Education No. 14's liabilities exceeded its total net assets by \$941,844 as of June 30, 2008. If the Regional Office continues to operate at the current level without obtaining additional funding or decreasing expenditures, its ability to continue as a going concern is questionable. Revenues decreased by \$39,816 in fiscal year 2008 while expenditures increased by \$334,348 in the same period. The deficiency of revenues over expenditures was \$528,410 for the year ended June 30, 2008 as compared to \$154,246 for the year ended June 30, 2007.

Despite a finding in the prior two audits (fiscal years 2006 and 2007) regarding the Regional Office's ability to continue as a going concern, Regional Office officials made significant new expenditures in fiscal year 2008. These included:

- Payroll expenses increased by approximately \$146,000 from FY 07 levels.
- At least 20 new computers at a cost of \$21,218.
- During fiscal year 2008, a new phone system was purchased at a cost of approximately \$9,300. Based on review of the fixed asset listing from the prior year, it was noted that a phone system for the Regional Office was purchased in October 2006 at a cost of \$8,900.

In addition, on June 17, 2008, the Regional Office obtained a loan from Cook County in the amount of \$190,000. This loan was used to finance Regional Office operations. Given the financial condition of the Regional Office, there is concern as to the ability of the Regional Office to repay this loan, which is due June 30, 2009. In most cases, it is not typical for a Regional Office of Education to pursue debt in order to continue operations.

Plan:

Response to expenses: It appears that expenses are overstated by the following assets:

Computer cost:	\$24,685
IT services:	\$12,242
Copier:	\$10,195
Telephone system:	\$11,790
Fingerprinting machines (2):	\$1,809
Postage Machine :	\$2,220
Accounting software:	<u>\$2,971</u>
Subtotal before depreciation:	<u>\$65,912</u>

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2008**

FINDING NO. 08-2 - Continuation as a Going Concern (Continued)

Response to going concern: We have considered this going concern issue and developed 5 plans.

1. A strong initiative in directory and web link advertisements.
2. We have secured an e-rate grant to absorb 65% of telecommunication costs for the year ending 6/30/2010.
3. We are in the process of offering professional development classes to increase revenues.
4. We are planning to change the allocation of the ROE/ISC annual operations budget for year ending 6/30/2010. We plan to increase the amount appropriated to the operations of the regional office and correspondingly decrease the amounts distributed to the ISC's. As of 6/30/07, the three, Cook County ISC's have accumulated net assets of \$2,610,373, \$247,543 & \$9,696,372 respectively. This is in contrast to the 6/30/07 deficit of (\$413,434) at ROE14. Thus there is a plan to balance the budget at ROE 14 with appropriate allocations sufficient to satisfy certification salaries.
5. All other regional offices in Illinois receive funding from their associated counties. ROE 14 does not receive funding from Cook County to support salaries, rent and other operation costs. We have progressed in relations and statutes in this area.

Anticipated Date of Completion:

June 30, 2009

Name of Contact Person:

Honorable Dr. Charles Flowers, Regional Superintendent

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2008**

FINDING NO. 08-3 - Inadequate Accounting Software and Internal Controls

Condition:

The Regional Office of Education utilizes an accounting software package which was not designed for governmental entities. The package does not provide the internal controls and reporting features required for proper fund accounting. The software package allows for the revenues and expenses of the Regional Office of Education's programs to be accounted for separately, but combines all assets, liabilities, and fund balances. The Regional Office had purchased a new accounting system but had not placed it into service.

Plan:

The current software has a break down option for class. Each fund is currently broken down by class. We plan to implement the new software with a better capacity for fund accounting for the period beginning 7/1/08-6/30/09. Initial training for this software package is complete.

Anticipated Date of Completion:

June 30, 2009

Name of Contact Person:

Honorable Dr. Charles Flowers, Regional Superintendent

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2008

FINDING NO. 08-4 - Inadequate Internal Control Over Disbursements

Condition:

During the audit we noted the following weaknesses in the Regional Office's internal control system:

- a. In 10 of 50 transactions tested, there was no invoice to support the expenditure.
- b. In 13 of 50 transactions tested, there was not proper approval of expenditures before payment was made.
- c. In 2 of 50 transactions tested, it was noted that non-business-purpose advances were paid to employees. This matter is covered by a subsequent finding in this report.
- d. In 2 of 50 transactions tested, it was noted that an Assistant Regional Superintendent was being paid from grant funds for consulting services. The Assistant Regional Superintendent was also receiving salary from State on-behalf payments. This matter is covered by a subsequent finding in this report.
- e. In 5 of 50 transactions tested, copies of invoices, as opposed to original invoices, were used as supporting documentation for expenditures. In these cases, the Regional Office failed to maintain original copies of the invoices from the vendors and as a result had to contact the vendor for another copy.
- f. In 2 of 50 transactions tested, there was documentation to support the expenditure amount, however no documentation to prove that the expenditure related to Regional Office activities.
- g. In 2 of 50 transactions tested, the amount paid was incorrectly calculated. In one instance, an employee's hours were calculated improperly and the employee was overpaid. This matter is covered by a subsequent finding in this report. The other instance related to a mileage reimbursement that was incorrectly totaled on the reimbursement form and subsequently paid without correction.
- h. In 1 of 50 transactions tested, the invoice was not marked paid and did not reference a check number. This situation would allow for an invoice to be inadvertently paid twice.
- i. In 2 of 50 transactions tested, the expenditure was not paid timely for reimbursements.
- j. In 2 of 50 transactions tested, it was noted that sales taxes were paid. The Regional Office is exempt from the payment of sales tax but did not provide documentation to the vendor to avoid paying the sales tax.
- k. In 1 of 50 transactions tested, an expenditure was not recorded in the proper period.

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2008**

FINDING NO. 08-4 - Inadequate Internal Control Over Disbursements (Continued)

Because of the overall lack of internal controls, which resulted in the problems listed above, questions as to the accuracy and completeness of the general ledger, and problems noted in other findings throughout this report, auditors terminated work before testing was completed and issued a disclaimer of opinion on the financial statements for the year ended June 30, 2008.

Plan:

We have implemented the controls with segregation of duties. For instance, as of 1/5/09 the person who handles the books does not sign the checks. Also, the accounts payable files have been put in order. We have instituted procedures, such as including all business receipts for any reimbursements.

Anticipated Date of Completion:

June 30, 2009

Name of Contact Person:

Honorable Dr. Charles Flowers, Regional Superintendent

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2008**

FINDING NO. 08-5 - Reconciliation of Bank Statements and Pooled Cash Accounts

Condition:

The Suburban Cook County Regional Office of Education No. 14 maintains pooled cash accounts for many of their funds. The Regional Office did not complete the last 9 of 12 monthly reconciliations of its bank statements and pooled cash accounts for fiscal year ended June 30, 2008. These were completed in December 2008 after auditors brought the situation to the attention of management. The Regional Office was unable to locate original copies of the bank statements and had to contact their bank to request new copies.

Plan:

We have implemented a running reconciliation for both bank accounts. This is adjusted at least every 2 days. This has been effective to constantly monitor our cash flow.

Anticipated Date of Completion:

June 30, 2009

Name of Contact Person:

Honorable Dr. Charles Flowers, Regional Superintendent

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2008

FINDING NO. 08-6 - Inadequate Controls Over Property and Equipment

Condition:

An updated fixed asset listing was not maintained by the Regional Office during the year. The Regional Office did not provide a listing to auditors until December 2008. The fixed asset listing that was provided was inaccurate and incomplete. Several items were missing from the asset listing. Many of the required details such as purchase date, cost, useful life, etc were not provided. Also, depreciation was not calculated for a majority of the items on the listing. The information provided was unreliable, and auditors were unable to obtain information to accurately reflect fixed assets maintained by the Regional Office.

Plan:

Computers are tagged to support the material acquisitions. We are developing a system to record depreciation on these acquisitions, as well as the existing assets.

Anticipated Date of Completion:

June 30, 2009

Name of Contact Person:

Honorable Dr. Charles Flowers, Regional Superintendent

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2008**

FINDING NO. 08-7 - Recording of Payroll Transactions

Condition:

The Suburban Cook County Regional Office of Education No. 14 hired an outside agency to prepare payroll beginning in February 2008. Beginning on this date, no payroll transactions were entered into the accounting records until December 2008.

Plan:

We utilize an outside payroll service. Currently, we have developed a system to record the payroll transactions with each pay period. Also implemented is a system to reconcile the general ledger to the payroll tax returns.

Anticipated Date of Completion:

June 30, 2009

Name of Contact Person:

Honorable Dr. Charles Flowers, Regional Superintendent

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2008**

FINDING NO. 08-8 - Cash Advances to Employees

Condition:

In testing 50 disbursement transactions, 2 instances were noted where cash advances were provided to employees. In both instances, contracts were signed by the Regional Superintendent and stipulated terms for repayment through payroll check deductions. Neither of the contracts required collateral or security in the event that the employee ceased employment at the Regional Office.

- The Regional Superintendent approved a cash advance for \$6,000 to an employee, who is also his family relative, for purposes not related to Regional Office operations. Repayments were to occur each pay period starting on April 4, 2008. The payroll register does not show any repayments between this date and June 30, 2008. The repayments were contracted to occur for 7 pay periods in fiscal year 2008; no actual repayments occurred.
- The Regional Superintendent approved a cash advance for \$9,000 to an employee for purposes not related to Regional Office operations. Repayments were to occur each pay period starting on November 16, 2007. It was noted that during 10 pay periods after the Regional Office began using an outside payroll vendor, there were 3 occasions where repayment was not made. Prior to the use of the outside payroll vendor, the auditors could not readily determine whether repayments had been made.

Plan:

The cash advances have been paid in full to date. Going forward cash advances have been eliminated.

Anticipated Date of Completion:

June 30, 2009

Name of Contact Person:

Honorable Dr. Charles Flowers, Regional Superintendent

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2008**

FINDING NO. 08-9 - Payment of Finance Charges, Late Fees, Transfer Fees, Other Service Charges, and Sales Taxes

Condition:

The Suburban Cook County Regional Office of Education No. 14 has 6 credit cards assigned to various employees. The Regional Office was only able to provide 41 of the 72 credit card statements for fiscal year 2008. Per review of these statements, it was noted that \$946 was incurred for finance charges, \$573 for late fees, and \$279 in other miscellaneous service charges. Approximately \$1,304 of the total \$1,798 in charges was incurred on the Regional Superintendent's credit card.

Auditors noted during their review of bank statements, that the Regional Office paid \$133 during fiscal year 2008 for performing wire transfers from their operating bank account.

In addition, in 2 of 50 transactions tested, it was noted that sales taxes were paid on Regional Office purchases.

Plan:

Regarding the sales tax issue, new procedures have been implemented: a voucher cannot be approved with taxes, since we are tax exempt. Payments on credit cards are made on a monthly basis and are no longer late, as we have hired a new business manager. Also, only superintendents & assistant superintendents and the office manager were afforded a business credit card. Currently, there are only 2 active credit cards, issued to the Regional and Deputy Superintendent.

Anticipated Date of Completion:

June 30, 2009

Name of Contact Person:

Honorable Dr. Charles Flowers, Regional Superintendent

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2008

FINDING NO. 08-10 - Use of Regional Office Credit Cards

Condition:

The Suburban Cook County Regional Office of Education No. 14 has 6 credit cards assigned to various employees.

The Regional Office provided 41 of the 72 credit card statements for fiscal year 2008 for review. The following was noted during a review of these credit card statements:

- There was an overall lack of documentation to support credit card purchases. Seventy percent (94 of 135) of purchases made on the Regional Superintendent's credit card were not supported by receipts. The majority of credit card statements did not have supporting receipts and documentation attached to the payment vouchers and invoices.
- Credit cards were used for personal expenses. Of 40 purchases made with the Regional Superintendent's credit card that auditors selected for follow-up, at least 16 were made for personal purchases. These included airline tickets to Mississippi purchased for family members, as well as food and rental car expenses. On 9 occasions during the period October 2007 through February 2008, the Regional Superintendent withdrew a total of \$6,669 in cash advances on his credit card. These advances were taken both in Illinois and Mississippi. When auditors questioned the Regional Superintendent concerning the purpose for taking the cash advances, the Regional Superintendent stated the advances were so that a vehicle and furniture could be purchased for the Regional Office. However, the vehicle and furniture was never purchased by the Regional Office. According to the Regional Superintendent, these advances were paid back to the Regional Office from his personal accounts using "pay-by-phone" payments. The Regional Office was also charged \$219 in finance charges on these cash advances.
- Payments to the credit card company were made directly from the Regional Office, as well as "pay-by-phone" payments. The Regional Superintendent's credit card statement showed several "pay by phone" payments, totaling \$9,139. In addition, "pay-by-phone" fees were incurred in the amount of \$60. Regional Office officials indicated that the "pay-by-phone" payments were made from the Regional Superintendent's personal accounts to cover his personal transactions. However, since payments were made from a personal account, auditors were unable to obtain information to support this claim. The "pay-by-phone" payment amounts did not correlate directly with exact expenditure amounts. Auditors were unable to determine whether all non-business-purpose expenditures, including cash advances, were repaid from the Regional Superintendent's personal accounts.
- There were at least 46 meal or food purchases totaling \$3,198 on the Regional Superintendent's credit card. In most instances, there was not adequate support as to the reason for the expenditure. Subsequent to our inquiry, some receipts were provided. However, without documenting the individuals for whom the meal expenses were incurred, either on the meal receipt or a purchase voucher, prior to the time the credit card payment is being made, it is difficult to determine: 1) whether all the meals were of a business purpose; and 2) whether the meal charges were reasonable.

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2008**

FINDING NO. 08-10 - Use of Regional Office Credit Cards (Continued)

- Eleven of the 40 purchases made with the Regional Superintendent's credit card on which auditors conducted follow-up were purchases of meals or food. Of the 11, 4 were purchases made for ROE staff: \$736 for a holiday luncheon for staff, \$200 for ROE Leadership meeting and plans for the Superintendent Breakfast, \$133 for a luncheon for secretaries and administrative assistants, and \$127 for ROE Directors Luncheon Meeting. Five of the 11 were personal purchases. For two expenses classified as business by the Regional Superintendent, no information was provided as to who received the meals.

Plan:

Personal purchases were repaid. The cards are to be utilized where there is a clear business purpose, thus no personal purpose; detail receipt back up is required. There is a written credit card policy that has been put in place.

Anticipated Date of Completion:

June 30, 2009

Name of Contact Person:

Honorable Dr. Charles Flowers, Regional Superintendent

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2008**

FINDING NO. 08-11 - Questionable Payroll Payments

Condition:

Assistant Regional Superintendents are paid by the State of Illinois. In fiscal year 2008, two Assistant Regional Superintendents at the Suburban Cook County Regional Office of Education No. 14 were paid \$87,644 and \$80,628 for a full year of work. These payments come directly from the State of Illinois for their services as Assistant Regional Superintendents.

In addition to these salary payments, these Assistant Regional Superintendents were paid monies by the Regional Office for consulting services related to State grants. The Assistant Regional Superintendents were paid approximately \$12,000 and \$9,400 in fiscal year 2008. Auditors questioned the Regional Superintendent as to whether these services were performed outside or in addition to normal working hours. The Regional Superintendent stated that these individuals worked on these grant activities during their normal working hours.

Another payroll deficiency related to the overpayment of the Regional Superintendent's nephew. Based on a review of one timesheet for this employee, auditors determined that the employee was being paid each day for his lunch hour. For example, the timesheet showed that he worked from 8:00am to 12:30pm, and then 1:30pm to 5:00pm, for a total of 8 hours. However, when his payroll was calculated, his pay included the 1 hour for lunch, or 9 hours. The total paid was \$865 (86.5 hours at \$10 per hour); however, the timecard indicated that only 77 hours were actually worked. This resulted in an overpayment of \$95 for the pay period. In addition, it was noted that this time card was not approved by a member of management. We did not test additional timesheets for the employee to determine whether additional discrepancies occurred.

Plan:

Regarding the payment of lunch hours, all employees at ROE14 have been paid for lunch for at least the last ten years. It is considered in their overall pay package. Regarding the salaries paid from grants, originally there was a planned obligation to pay the assistant superintendent a portion of the grant. However, this will be discontinued going forward per this recommendation.

Anticipated Date of Completion:

June 30, 2009

Name of Contact Person:

Honorable Dr. Charles Flowers, Regional Superintendent

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2008**

FINDING NO. 08-12 - Restricted Funds Used for Unauthorized Purpose

Condition:

The Regional Office's activities consist primarily of the processing of teacher certifications and registrations. Because of this, a majority of the expenses of the Regional Office are recorded to the Institute Fund and may or may not be in accordance with Illinois School Code 105 ILCS 5/3-12.

For example, a review of the general ledger account detail indicated that the Regional Office paid approximately \$340,345 in salaries and benefits to Regional Office employees out of the Institute Fund. Many of these employees have responsibilities that are outside of the Institute Fund activities and are not related to the purposes delineated in 105 ILCS 5/3-12 of the Illinois School Code.

Plan:

The Institute Fund does not allow for payment of salaries for the certification processors, by statute. Majority of the 6/30/08 ROE/ISC grant has been disbursed to ISC's. Thus, funds were not available from the operations grant to support certification. Unlike the other forty four regional offices of education in Illinois, we do not receive financial support from our county. We have however received a loan in the amount of \$190,000 from the county and are subject to repayment. We used the County Loan to pay the certification salaries, as well as other operating expenses. In response to this finding: It is our plan to allocate more of our operation grant to ROE14 for certification salaries and operations, and less to ISC's. In addition, we are working with our County to establish their financial support, per Senate Bill #186 that is currently under review.

Anticipated Date of Completion:

June 30, 2009

Name of Contact Person:

Honorable Dr. Charles Flowers, Regional Superintendent

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2008

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
07-1	Controls Over Financial Statement Preparation	Repeated
07-2	Continuation as a Going Concern	Repeated
07-3	Inadequate Accounting Software and Internal Controls	Repeated

BASIC FINANCIAL STATEMENTS

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
STATEMENT OF NET ASSETS
June 30, 2008

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current assets:	
Cash and cash equivalents	\$ 142,740
Prepaid expenses	723
Total current assets	143,463
Noncurrent assets:	
Capital assets, being depreciated, net	21,089
Total assets	164,552
LIABILITIES	
Current liabilities:	
Accounts payable	13,238
Accrued liabilities	1,573
Due to other governments	231,598
Deferred revenue	859,987
Total liabilities	1,106,396
NET ASSETS	
Investment in capital assets, net of related debt	21,089
Unrestricted	(962,933)
Total net assets	\$ (941,844)

The accompanying notes are an integral part of the financial statements.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
STATEMENT OF ACTIVITIES
Year Ended June 30, 2008

EXHIBIT B

FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets Primary Governmental Activities
Primary government:				
Governmental activities:				
Education:				
Salaries and benefits	\$ 794,761	\$ -	\$ 345,205	\$ (449,556)
Purchased services	443,654	-	192,701	(250,953)
Supplies and materials	106,882	-	46,424	(60,458)
Payments to other governments	564,582	-	245,227	(319,355)
Other objects	43,405	-	18,853	(24,552)
State teachers' certification board	157,510	157,510	-	-
Depreciation expense	-	-	-	-
Capital outlay	33,919	-	14,733	(19,186)
Administrative:				
On-behalf payments	405,794	-	-	(405,794)
Total primary government	\$ 2,550,507	\$ 157,510	\$ 863,143	(1,529,854)
General revenues:				
Local sources				595,650
On-behalf payments				405,794
Total general revenues				1,001,444
CHANGES IN NET ASSETS				(528,410)
NET ASSETS, BEGINNING OF YEAR				(413,434)
NET ASSETS, END OF YEAR				\$ (941,844)

The accompanying notes are an integral part of the financial statements.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2008

EXHIBIT C

	General Fund	Institute Fund	Education Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash (overdraft) and cash equivalents	\$ (292,735)	\$ 420,679	\$ 94,803	\$ (80,007)	\$ 142,740
Prepaid expenses	<u>723</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>723</u>
TOTAL ASSETS	<u>\$ (292,012)</u>	<u>\$ 420,679</u>	<u>\$ 94,803</u>	<u>\$ (80,007)</u>	<u>\$ 143,463</u>
LIABILITIES AND FUND BALANCES (DEFICIT)					
LIABILITIES					
Accounts payable	\$ -	\$ -	\$ 2,136	\$ 11,102	\$ 13,238
Accrued liabilities	-	1,573	-	-	1,573
Due to other governments	-	190,000	41,598	-	231,598
Deferred revenue	-	859,987	-	-	859,987
Total liabilities	<u>-</u>	<u>1,051,560</u>	<u>43,734</u>	<u>11,102</u>	<u>1,106,396</u>
FUND BALANCES (DEFICIT)					
Unreserved, reported in:					
General fund	(292,012)	-	-	-	(292,012)
Special revenue funds	-	(630,881)	51,069	(91,109)	(670,921)
Total fund balances (deficit)	<u>(292,012)</u>	<u>(630,881)</u>	<u>51,069</u>	<u>(91,109)</u>	<u>(962,933)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ (292,012)</u>	<u>\$ 420,679</u>	<u>\$ 94,803</u>	<u>\$ (80,007)</u>	<u>\$ 143,463</u>

The accompanying notes are an integral part of the financial statements.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008

	<u>General Fund</u>	<u>Institute Fund</u>	<u>Education Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Local sources	\$ (3,403)	\$ 565,309	\$ -	\$ 191,254	\$ 753,160
State sources	679,308	-	98,410	5,301	783,019
Federal sources	-	-	80,124	-	80,124
On-behalf payments	405,794	-	-	-	405,794
Total revenues	<u>1,081,699</u>	<u>565,309</u>	<u>178,534</u>	<u>196,555</u>	<u>2,022,097</u>
EXPENDITURES:					
Education:					
Salaries and benefits	293,221	340,345	415	160,780	794,761
Purchased services	119,409	63,051	152,324	108,870	443,654
Supplies and materials	37,395	38,868	10,946	19,673	106,882
Payments to other governments	564,582	-	-	-	564,582
Other objects	-	(2,841)	44,445	1,801	43,405
State teachers' certification board	-	157,510	-	-	157,510
Capital outlay	10,677	16,588	4,845	1,809	33,919
Administrative:					
On-behalf payments	405,794	-	-	-	405,794
Total expenditures	<u>1,431,078</u>	<u>613,521</u>	<u>212,975</u>	<u>292,933</u>	<u>2,550,507</u>
NET CHANGE IN FUND BALANCES	(349,379)	(48,212)	(34,441)	(96,378)	(528,410)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>57,367</u>	<u>(582,669)</u>	<u>85,510</u>	<u>5,269</u>	<u>(434,523)</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ (292,012)</u>	<u>\$ (630,881)</u>	<u>\$ 51,069</u>	<u>\$ (91,109)</u>	<u>\$ (962,933)</u>

The accompanying notes are an integral part of the financial statements.

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
Year Ended June 30, 2008**

Net change in fund balances (page 55) **\$ (528,410)**

Amounts reported for governmental activities in the
Statement of Activities are different because:

Governmental funds report capital outlays as
expenditures. However, in the Statement of
Activities the cost of those assets is allocated
over their estimated useful lives and reported
as depreciation expense.

Capital outlay	\$	-	
Depreciation expense		-	-
		<hr/>	<hr/>

Change in net assets of governmental activities (page 52) **\$ (528,410)**

The accompanying notes are an integral part of the financial statements.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Suburban Cook County Regional Office of Education No. 14 was created to develop and maintain educational services for the school districts in Cook County, Illinois. The Suburban Cook County Regional Office of Education No. 14 services 697 public schools and 143 districts within the county (exclusive of District 299).

The functions of the Suburban Cook County Regional Office of Education No. 14 include, but are not limited to the following:

- Processing teachers' certificates
- Teaching initial and refresher classes for school bus drivers within Suburban Cook County Regional Office of Education No. 14
- Review life/safety requirements for schools in conjunction with the State of Illinois
- Issuing newsletters regarding new Illinois life/safety requirements
- Monitoring compliance with State laws and Department of Education policies and procedures
- Providing directions to teachers and school officials on science, art and teaching methods
- Implementing the State Board of Education's Policy Programs
- Encouraging camaraderie among teachers through the teachers' institute

Suburban Cook County Regional Office of Education No. 14 has no distributive fund since the State of Illinois maintains responsibility for the function of distributing state and federal aid to individual school districts.

The State of Illinois also maintains responsibility for the GED program, therefore, there is no GED fund.

The financial statements of the Suburban Cook County Regional Office of Education No. 14 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The following is a summary of the significant accounting policies:

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity

For financial reporting purposes, Suburban Cook County Regional Office of Education No. 14 has included all funds, organizations, agencies, boards, commissions and authorities. Suburban Cook County Regional Office of Education No. 14 has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with Suburban Cook County Regional Office of Education No. 14 are such that exclusion would cause Suburban Cook County Regional Office of Education No. 14's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of Suburban Cook County Regional Office of Education No. 14 to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on Suburban Cook County Regional Office of Education No. 14. Suburban Cook County Regional Office of Education No. 14 has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the activities of Suburban Cook County Regional Office of Education No. 14. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by intergovernmental and local revenues.

The Statement of Net Assets presents Suburban Cook County Regional Office of Education No. 14's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for any debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

Suburban Cook County Regional Office of Education No. 14 reports the following major governmental funds:

The General Fund is the operating fund of the Suburban Cook County Regional Office of Education No. 14. The General Fund accounts for all financial resources except those required to be accounted for in another fund.

The Institute Fund accounts for registration and renewal fees related to teachers' certificates. Funds collected from registration and renewal fees are expended to defray the costs incidental to teachers' institutes, conferences, and workshops. All funds generated remain restricted until expended only on the aforementioned activities.

Education Fund - Accounts for grant funds which are restricted as to their use except for those accounted for in the Supervisory Fund. Restricted grant funds include:

Substance Abuse and Violence Prevention Grant - to account for monies received for, and payment of, expenditures incurred in facilitating the Substance Abuse and Violence Prevention program.

Truant Alternative Grant - to account for grant monies received for, and payment of, expenditures incurred for after school programs to avoid truant behavior in children.

Cook County Learning Technology Center - to account for monies received for, and payment of, expenditures incurred to support technology applications throughout the Districts served.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SES Monitoring - to account for monies received for, and payment of, expenditures for the evaluation of applications used for supplemental education services.

Illinois Terrorism Task Force - to account for monies received for, and payment of, expenditures to provide training designed to enhance the capacity of schools to plan for and manage critical incidents.

McKinney Homeless Grant - to account for monies received for, and payment of, expenditures that will coordinate enrollment, attendance, social and educational success of identified students in Suburban Cook County Schools.

Pre-School Monitoring - to account for funds received for, and payment of, expenditures relating to the Preschool for All program.

Suburban Cook County Regional Office of Education No. 14 reports the following nonmajor governmental funds:

Directory - accounts for sales proceeds and costs of producing directories of all school buildings within the Suburban Cook County Regional Office of Education No. 14's jurisdiction.

Bus Driver - accounts for school bus drivers' permit fees which may be expended for school bus drivers' refresher courses.

Supervisory - accounts for State funding used to pay expenses for supervision of school districts within the Suburban Cook County Regional Office of Education No. 14's jurisdiction.

Fingerprinting - accounts for reimbursement from school districts to pay expenses of providing fingerprinting services.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by Suburban Cook County Regional Office of Education No. 14.

Suburban Cook County Regional Office of Education No. 14 records on-behalf payments made by the State to the Teachers' Retirement System as revenue and expenditures.

Suburban Cook County Regional Office of Education No. 14 recognizes teacher certificate registration fees for school years ending after June 30, 2008 as deferred revenue.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Capital asset acquisitions are reported as expenditures in governmental funds.

Under the terms of grant agreements, Suburban Cook County Regional Office of Education No. 14 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted funding sources available to finance the program. It is Suburban Cook County Regional Office of Education No. 14's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

Suburban Cook County Regional Office of Education No. 14 maintains its financial records on the cash basis. The financial statements of Suburban Cook County Regional Office of Education No. 14 are prepared by making memorandum adjusting entries to the cash basis financial records.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash and cash equivalents - The cash and cash equivalent balances of Suburban Cook County Regional Office of Education No. 14 are valued at cost.

All short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Capital assets - Capital assets, which include furniture and equipment, are reported in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by Suburban Cook County Regional Office of Education No. 14 as assets with an initial, individual cost in excess of \$500 and estimated useful lives in excess of two years. Capital assets are depreciated using the straight line method over 5-10 years.

Deferred revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the revenue is not earned until a future period. Deferred revenue consists of teacher certificate registration fees for school years ending after June 30, 2008.

Fund balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted net assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as supplementary information.

Suburban Cook County Regional Office of Education No. 14 did not formally adopt a budget for the year ended June 30, 2008 and is not legally required to do so. The Illinois State Board of Education requires budgets for certain State programs. These budgets were used to prepare statements of revenues, expenditures, and changes in fund balance - budget and actual for the following programs: General Fund and McKinney Homeless Grant.

NOTE 2 - CASH AND CASH EQUIVALENTS

The deposit and investment of monies is governed by the provisions of the Illinois Compiled Statutes.

Deposits

At June 30, 2008, the carrying amount of the deposits was \$142,740 (net of overdrafts) and the bank balance was \$184,477.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, Suburban Cook County Regional Office of Education No. 14's deposits may not be returned. Suburban Cook County Regional Office of Education No. 14 does not have a deposit policy for custodial credit risk. As of June 30, 2008, all of Suburban Cook County Regional Office of Education No. 14's deposits were either covered by FDIC insurance or covered by collateral held by the financial institution in Suburban Cook County Regional Office of Education No. 14's name.

NOTE 3 - PENSIONS

Management employees are paid by the State of Illinois which includes provisions for pension costs. The Suburban Cook County Regional Office of Education No. 14 does not offer any post-retirement benefits to any of its employees. Therefore, no provision or funding for pension costs is required.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2008 is as follows:

	Balance June 30, <u>2007</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2008</u>
Governmental activities:				
Furniture and equipment	\$ 69,584	\$ -	\$ -	\$ 69,584
Less accumulated depreciation	<u>48,495</u>	<u>-</u>	<u>-</u>	<u>48,495</u>
Total capital assets, net	<u>\$ 21,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,089</u>

Depreciation expense was charged as follows:

Governmental activities:		
Education:		
Depreciation expense		<u>\$ -</u>

NOTE 5 - DUE TO OTHER GOVERNMENTS

The detail of balances that are due to other governments at June 30, 2008 is as follows:

Institute Fund	\$ 190,000
Education Fund	
McKinney Homeless Grant	
Due to Regional Office of Education No. 56	41,598

NOTE 6 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure as part of the combined financial statements of certain information concerning individual funds as follows:

The following funds had deficit fund balances at June 30, 2008:

General Fund	\$ (292,012)
Institute Fund	(630,881)
Education Fund	
SES Monitoring	(2,965)
Other Nonmajor Funds	
Bus Driver	(39,818)
Supervisory	(1,421)
Fingerprinting	(51,111)

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 7 - ON-BEHALF PAYMENTS

Salaries of the Regional Superintendent and his two assistants are paid by the State of Illinois. The State of Illinois and the respective employees also pay pension plan contributions associated with these salaries. The Suburban Cook County Regional Office of Education No. 14 pays all other salaries.

On-behalf payments are as follows:

Regional Superintendent - salary	\$ 108,355
Regional Superintendent - benefits	14,480
Assistant Regional Superintendents - salaries	252,221
Assistant Regional Superintendents - benefits	<u>30,738</u>
Total on-behalf payments	<u>\$ 405,794</u>

Salary and benefit data for the Regional Superintendent and Assistant Regional Superintendent was calculated based on data provided by the Illinois State Board of Education.

NOTE 8 - RISK MANAGEMENT

Suburban Cook County Regional Office of Education No. 14 is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. Suburban Cook County Regional Office of Education No. 14 assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the year.

NOTE 9 - RELATED PARTIES

During the year, the Suburban Cook County Regional Office of Education No. 14 entered into several transactions with related parties.

In two separate transactions, salary advances were paid to two different employees. The total of these advances was \$15,000 and was to be repaid ratably each pay period until the full balance was repaid. These salary advances are unsecured.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2008

NOTE 10 - NEW PRONOUNCEMENT

In 2008, Suburban Cook County Regional Office of Education No. 14 adopted Governmental Accounting Standards Board (GASB) Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues*, and GASB Statement No. 50, *Pension Disclosures an amendment of GASB Statements No. 25 and No. 27*. The Regional Office of Education implemented these standards during the current year; however, there was no significant impact of the implementation of No. 48 or No. 50 on the financial statements.

This information is an integral part of the accompanying financial statements.

OTHER SUPPLEMENTAL INFORMATION

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 Year Ended June 30, 2008

	<u>Budgeted Amounts</u>	<u>Final</u>	<u>Actual</u>	<u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES:					
Local sources	-	-	\$	(3,403)	\$ (3,403)
State sources	660,458	674,242		679,308	5,066
On-behalf payments	-	-		405,794	405,794
Total revenues	660,458	674,242		1,081,699	407,457
EXPENDITURES:					
Education:					
Salaries and benefits	33,700	33,700		293,221	(259,521)
Purchased services	60,369	74,153		119,409	(45,256)
Supplies and materials	3,000	3,000		37,395	(34,395)
Payments to other governments	561,389	561,389		564,582	(3,193)
Capital outlay	2,000	2,000		10,677	(8,677)
On-behalf payments	-	-		405,794	(405,794)
Total expenditures	660,458	674,242		1,431,078	(756,836)
NET CHANGE IN FUND BALANCE (DEFICIT)	\$ -	\$ -		(349,379)	\$ (349,379)
FUND BALANCE (DEFICIT), BEGINNING OF YEAR				57,367	
FUND BALANCE (DEFICIT), END OF YEAR					\$ (292,012)

SCHEDULE 2

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
 June 30, 2008

	<u>Substance Abuse and Violence Prevention Grant</u>	<u>Truant Alternative Grant</u>	<u>Cook County Learning Technology Center</u>	<u>SES Monitoring</u>
ASSETS				
Cash (overdraft) and cash equivalents	\$ 1,001	\$ 3,469	\$ 3,000	\$ (2,965)
LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES				
Accounts payable	-	\$ 1,136	-	-
Due to other governments	-	-	-	-
Total liabilities	-	<u>1,136</u>	-	-
FUND BALANCES (DEFICIT)				
Fund balances (deficit), unreserved and undesignated	<u>1,001</u>	<u>2,333</u>	<u>3,000</u>	<u>(2,965)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	<u>\$ 1,001</u>	<u>\$ 3,469</u>	<u>\$ 3,000</u>	<u>\$ (2,965)</u>

**SCHEDULE 2
(CONTINUED)**

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2008**

	<u>Illinois Terrorism Task Force</u>	<u>McKinney Homeless Grant</u>	<u>Pre-School Monitoring</u>	<u>Total</u>
ASSETS				
Cash (overdraft) and cash equivalents	\$ 3,117	\$ 86,526	\$ 655	\$ 94,803
LIABILITIES AND FUND BALANCES (DEFICIT)				
LIABILITIES				
Accounts payable	\$ -	\$ 1,000	\$ -	\$ 2,136
Due to other governments	-	41,598	-	41,598
Total liabilities	-	42,598	-	43,734
FUND BALANCES (DEFICIT)				
Fund balances (deficit), unreserved and undesignated	3,117	43,928	655	51,069
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)	\$ 3,117	\$ 86,526	\$ 655	\$ 94,803

SCHEDULE 3

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 Year Ended June 30, 2008

	Substance Abuse and Violence Prevention <u>Grant</u>	Truant Alternative <u>Grant</u>	Cook County Learning Technology Center <u>Center</u>	SES <u>Monitoring</u>
REVENUES:				
State sources	\$ -	\$ -	\$ -	\$ -
Federal sources	-	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
EXPENDITURES:				
Education:				
Salaries and benefits	-	-	-	-
Purchased services	-	31,929	-	-
Supplies and materials	-	266	-	-
Other objects	-	41,599	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>73,794</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES (DEFICIT)	-	(73,794)	-	-
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>1,001</u>	<u>76,127</u>	<u>3,000</u>	<u>(2,965)</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 1,001</u>	<u>\$ 2,333</u>	<u>\$ 3,000</u>	<u>\$ (2,965)</u>

**SCHEDULE 3
(CONTINUED)**

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2008**

	<u>Illinois Terrorism Task Force</u>	<u>McKinney Homeless Grant</u>	<u>Pre-School Monitoring</u>	<u>Total</u>
REVENUES:				
State sources	-	-	\$ 98,410	\$ 98,410
Federal sources	-	80,124	-	80,124
Total revenues	-	<u>80,124</u>	<u>98,410</u>	<u>178,534</u>
EXPENDITURES:				
Education:				
Salaries and benefits	-	415	-	415
Purchased services	-	31,437	88,958	152,324
Supplies and materials	-	714	9,966	10,946
Other objects	-	-	2,846	44,445
Capital outlay	-	3,630	1,215	4,845
Total expenditures	-	<u>36,196</u>	<u>102,985</u>	<u>212,975</u>
NET CHANGE IN FUND BALANCES (DEFICIT)	-	43,928	(4,575)	(34,441)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>3,117</u>	-	<u>5,230</u>	<u>85,510</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 3,117</u>	<u>\$ 43,928</u>	<u>\$ 655</u>	<u>\$ 51,069</u>

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 Year Ended June 30, 2008

McKinney Homeless Grant

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Final Budget</u>
		<u>Amounts</u>	<u>Favorable</u>
			<u>(Unfavorable)</u>
REVENUES:			
Federal sources	\$ -	\$ 80,124	\$ 80,124
EXPENDITURES:			
Education:			
Salaries and benefits	-	415	(415)
Purchased services	-	31,437	(31,437)
Supplies and materials	-	714	(714)
Capital outlay	-	3,630	(3,630)
Total expenditures	-	36,196	(36,196)
NET CHANGE IN FUND BALANCES	\$ -	\$ 43,928	\$ 43,928
FUND BALANCES,			
BEGINNING OF YEAR		-	
FUND BALANCES,			
END OF YEAR		<u>\$ 43,928</u>	

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2008

		<u>Directory</u>	<u>Bus Driver</u>	<u>Supervisory</u>	<u>Fingerprinting</u>	<u>Total</u>
ASSETS						
Cash (overdraft) and cash equivalents	\$	1,241	\$ (36,550)	\$ (1,421)	\$ (43,277)	\$ (80,007)
LIABILITIES AND FUND BALANCES (DEFICIT)						
LIABILITIES						
Accounts Payable	\$	-	\$ 3,268	-	\$ 7,834	\$ 11,102
FUND BALANCES (DEFICIT)						
Unreserved		1,241	(39,818)	(1,421)	(51,111)	(91,109)
TOTAL LIABILITIES AND FUND BALANCES (DEFICIT)						
	\$	1,241	\$ (36,550)	\$ (1,421)	\$ (43,277)	\$ (80,007)

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended June 30, 2008

	<u>Directory</u>	<u>Bus Driver</u>	<u>Supervisory</u>	<u>Fingerprinting</u>	<u>Total</u>
REVENUES:					
Local sources	\$ 44,208	\$ 59,754	\$ -	\$ 87,292	\$ 191,254
State sources	-	4,301	1,000	-	5,301
Total revenues	<u>44,208</u>	<u>64,055</u>	<u>1,000</u>	<u>87,292</u>	<u>196,555</u>
EXPENDITURES:					
Education:					
Salaries and benefits	27,032	52,816	-	80,932	160,780
Purchased services	2,370	43,247	213	63,040	108,870
Supplies and materials	16,347	1,067	137	2,122	19,673
Other Objects	319	8	-	1,474	1,801
Capital outlay	-	-	-	1,809	1,809
Total expenditures	<u>46,068</u>	<u>97,138</u>	<u>350</u>	<u>149,377</u>	<u>292,933</u>
NET CHANGE IN FUND BALANCES (DEFICIT)	(1,860)	(33,083)	650	(62,085)	(96,378)
FUND BALANCES (DEFICIT), BEGINNING OF YEAR	<u>3,101</u>	<u>(6,735)</u>	<u>(2,071)</u>	<u>10,974</u>	<u>5,269</u>
FUND BALANCES (DEFICIT), END OF YEAR	<u>\$ 1,241</u>	<u>\$ (39,818)</u>	<u>\$ (1,421)</u>	<u>\$ (51,111)</u>	<u>\$ (91,109)</u>