



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #30
JACKSON AND PERRY COUNTIES

FINANCIAL AUDIT
For the Year Ended: June 30, 2010

Release Date: July 14, 2011

Summary of Findings:

Total this audit:	2
Total last audit:	1
Repeated from last audit:	1

SYNOPSIS

- The Regional Office of Education #30 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #30 did not record a cash account on the books.

{Revenues and expenditures are summarized on the reverse page.}

REGIONAL OFFICE OF EDUCATION #30
JACKSON AND PERRY COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2010

	FY 2010	FY 2009
TOTAL REVENUES	\$1,453,221	\$1,415,494
Local Sources	\$316,205	\$320,417
% of Total Revenues	21.76%	22.64%
State Sources	\$875,810	\$828,580
% of Total Revenues	60.27%	58.54%
Federal Sources	\$261,206	\$266,497
% of Total Revenues	17.97%	18.83%
TOTAL EXPENDITURES	\$1,447,689	\$1,426,939
Salaries and Benefits	\$927,487	\$893,282
% of Total Expenditures	64.07%	62.60%
Purchased Services	\$359,594	\$376,721
% of Total Expenditures	24.84%	26.40%
All Other Expenditures	\$160,608	\$156,936
% of Total Expenditures	11.09%	11.00%
TOTAL NET ASSETS	\$535,014	\$529,482
INVESTMENT IN CAPITAL ASSETS	\$73,655	\$79,754
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Robert Koehn (effective 7-1-09 to 7-31-09) and Honorable Donna Boros (effective 8-1-09)
Currently: Honorable Donna Boros

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #30 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #30 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).

The Regional Office of Education #30 did not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the cash basis of accounting. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

In their review of the Regional Office's accounting records, auditors noted that the Regional Office did not have adequate controls over the maintenance of complete records of cash by fund, accounts receivable, accounts payable, or deferred revenue. While the Regional Office did maintain records to indicate the balances of cash, accounts receivable, accounts payable, and deferred revenue, there were no entries made by the ROE to reconcile their grant activity, such as posting grant receivables and deferred revenue. The Regional Office's financial information required numerous adjusting entries to present the financial statements in accordance with generally accepted accounting principles. The Regional Office did not have adequate controls over the maintenance of complete records of capital assets.

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. (Finding 10-01, pages 11-12) **This finding was first reported in 2007.**

The auditors recommended that, as part of its internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education #30 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.

The Regional Office of Education #30 responded that delayed, uncertain and untimely payments were devastating to the operations of the Office and made the financial review and preparation of the financial statements quite complicated. The Regional Office noted that the State is well beyond the 60 days required for booking funds as accounts receivable and the Office did not receive full payment until December 2010. The Regional Office noted that it completed preparation and review procedures with the best information at the time.

The Regional Office also noted that securing the services of its own certified public accountant was cost prohibitive. Therefore, it contracted with the Jackson County Board to use the services of the County Administrative Assistant who is a degreed accountant. The ROE noted that the individual will provide additional accounting expertise to prepare and/or review financial statements. The ROE noted that it is currently in a transition period for facilitating and implementing this consultation. The Regional Office noted that it is currently working on implementation of a new accounting software system which should ensure that the financial statements are complete and accurate. The Regional Office also noted that its financial staff will work closely with the County Administrative Assistant to correct the issues involved in the finding.

In addition, the Regional Office noted that in regard to fixed assets, it maintains a database that documents purchases and depreciation timeframes. The Regional Office noted that in order to correct the condition of the finding, it will begin using a database that will not only document purchases and depreciation timeframes but will also calculate the depreciation and value of capital assets. (For previous Regional Office response, see Digest Footnote #1.)

CASH ACCOUNT NOT RECORDED ON THE BOOKS

The Regional Office of Education #30 did not record a cash account on the books.

Good business practices and sound internal controls require that accounting records accurately and completely record all assets and transactions of the entity. During testing of cash accounts, auditors noted one bank account with a balance of \$3,045 as of June 30, 2010 was not recorded in the general

ledger. This account, and its activity for the year ended June 30, 2010, was included in the financial statements through adjusting journal entries proposed during the audit.

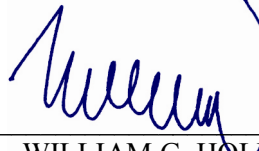
The Regional Office of Education #30's assets and revenues were understated by \$3,045. Failure to record bank accounts in the general ledger results in inaccurate financial reporting and increases the risk of misappropriation of assets.

The Regional Office has an office in Perry County which collects small amounts of local revenue for GED and other Regional Office programs. This revenue had not been recorded in the general ledger or transferred to the pooled cash account during the fiscal year.

The auditors recommended that the Regional Office should routinely record all bank accounts and their activity in the general ledger. The Regional Office responded that it understands the concerns of the auditors and plan to implement procedures to address the finding.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #30's financial statements as of June 30, 2010 are fairly presented in all material respects.



WILLIAM G. HOLLAND
• Auditor General

WGH:KJM

AUDITORS ASSIGNED: West & Company, LLC, were our special assistant auditors.

DIGEST FOOTNOTES

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

In its prior response in 2009, the Regional Office of Education #30 responded that it has entered into an intergovernmental agreement with the Jackson County Board to use the services of the County Administrative Assistant who is a degreed accountant. This individual will provide additional accounting expertise to prepare and/or review financial statements. In addition, the Regional Office noted that it is investigating accounting programs that will maintain complete and accurate records and present the financial statements in accordance with generally accepted accounting principles. The Regional Office noted that an accounting software program will be chosen by January 1, 2010, with full implementation by July 1, 2010.

