



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #40
CALHOUN/GREENE/JERSEY/MACOU PIN COUNTIES

FINANCIAL AUDIT
For the Year Ended: June 30, 2010

Release Date: September 22, 2011

Summary of Findings:

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

SYNOPSIS

- The Regional Office of Education #40 did not have sufficient internal controls over the financial reporting process.

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

REGIONAL OFFICE OF EDUCATION #40
CALHOUN/GREENE/JERSEY/MACOU PIN COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2010

	FY 2010	FY 2009
TOTAL REVENUES	\$1,631,265	\$1,747,683
Local Sources	\$337,433	\$379,361
% of Total Revenues	20.69%	21.71%
State Sources	\$1,142,845	\$1,225,774
% of Total Revenues	70.06%	70.14%
Federal Sources	\$150,987	\$142,548
% of Total Revenues	9.26%	8.16%
TOTAL EXPENDITURES	\$1,611,115	\$1,780,279
Salaries and Benefits	\$1,111,514	\$1,162,271
% of Total Expenditures	68.99%	65.29%
Purchased Services	\$306,749	\$489,789
% of Total Expenditures	19.04%	27.51%
All Other Expenditures	\$192,852	\$128,219
% of Total Expenditures	11.97%	7.20%
TOTAL NET ASSETS	\$279,673 ¹	\$257,475
INVESTMENT IN CAPITAL ASSETS	\$45,612	\$64,034
¹ Includes a \$2,048 restatement to the FY 2010 beginning net asset balance. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Larry D. Pfeiffer Currently: Honorable Larry D. Pfeiffer

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**CONTROLS OVER FINANCIAL STATEMENT
PREPARATION**

The Regional Office of Education #40 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #40 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 #40 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. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or deferred revenue. While the Regional Office did maintain records to indicate the balances of some accounts payable, accounts receivable, and deferred revenue, the Regional Office's financial information required several adjusting entries to present the financial statements in accordance with generally accepted accounting principles.
- Accrued payroll of approximately \$35,000 had been recorded as an expenditure twice.
- Purchased services totaling \$7,905 and supplies of \$70 had been incorrectly coded to capital outlay.
- Reimbursements of costs by other funds or entities were reported as revenue and expense rather than netted against the related expenses.

- State grant revenue from entities, other than the Illinois State Board of Education, was often classified in a local source revenue account. Specifically, the Family Violence Fund and the Teen Parent Services Fund received funding from State sources which was recorded as local revenue.

According to Regional Office officials, they did not have adequate funding to hire a certified public accountant or other financial professionals for their full-time staff. (Finding 10-01, pages 10a-10b) **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 #40 should implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such review 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 #40 responded that a financial consultant from Macoupin County is going to assist the Regional Office during FY 2011 to help address this finding. (For previous Regional Office response, see Digest Footnote #1.)

AUDITORS' OPINION

Our auditors state the Regional Office of Education #40's financial statements as of June 30, 2010 are fairly presented in all material respects.

WILLIAM G. HOLLAND
Auditor General

WGH:JRB

AUDITORS ASSIGNED: Kemper CPA Group, LLP 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 #40 responded that it plans to contract the services of a local accounting firm to review the FY 2010 financial statements prior to the FY 2010 audit. Additionally, the Regional Office noted that with the departure of one ROE #40 employee from the bookkeeping division, the bookkeeping and accounting responsibilities were consolidated and transferred to the Jerseyville Office of the Regional Office of Education #40. The Regional Office believes that the aforementioned actions will help address this finding in FY 2010.