



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #1
ADAMS AND PIKE COUNTIES

FINANCIAL AUDIT
For the Year Ended: June 30, 2013

Release Date: March 20, 2014

Summary of Findings:

Total this audit:	1
Total last audit:	0
Repeated from last audit:	0

SYNOPSIS

- The Regional Office of Education #1 did not have adequate internal controls over accounting transactions.

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

REGIONAL OFFICE OF EDUCATION #1
ADAMS AND PIKE COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2013

	FY 2013	FY 2012
TOTAL REVENUES	\$1,627,568	\$1,485,971
Local Sources	\$288,427	\$287,411
% of Total Revenues	17.72%	19.34%
State Sources	\$1,072,808	\$968,782
% of Total Revenues	65.91%	65.20%
Federal Sources	\$266,333	\$229,778
% of Total Revenues	16.36%	15.46%
TOTAL EXPENDITURES	\$1,632,007	\$1,584,913
Salaries and Benefits	\$959,155	\$869,582
% of Total Expenditures	58.77%	54.87%
Purchased Services	\$201,443	\$178,144
% of Total Expenditures	12.34%	11.24%
All Other Expenditures	\$471,409	\$537,187
% of Total Expenditures	28.89%	33.89%
TOTAL NET POSITION	\$570,895 ¹	\$577,873
INVESTMENT IN CAPITAL ASSETS	\$19,796	\$26,370
¹ The beginning net position was restated by (\$2,539) due to a prior period adjustment to send back funds. Percentages may not add due to rounding		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Deborah Niederhauser Currently: Honorable Deborah Niederhauser

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INTERNAL CONTROL OVER ACCOUNTING
TRANSACTIONS**

The Regional Office of Education #1 did not have adequate internal controls over accounting transactions.

The Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system over the Regional Office's accounting processes to prevent errors and fraud in reporting.

During testing, auditors noted the following internal control weaknesses over the accounting and closing processes:

- A. There were several instances where administrative costs and the associated reimbursing transfer of cash were recorded as revenues and expenditures in both the fund that incurred the cost and in a general fund which paid the expenditures, resulting in double-booking of revenues and expenditures.
- B. Capital asset additions in the amount of \$7,585 were not included on the Regional Office's asset listing.
- C. A transfer of funds from one bank account to another was recorded as a revenue and an expenditure in the General Fund instead of being recorded as a transfer.
- D. While the Regional Office maintained and recorded their accrual balances, there was one instance where a material receivable was not recorded and one instance where an expenditure paid in June 2013 should have been recorded as a prepaid expense.
- E. The Regional Office recorded the State and local revenue for the Bus Driver fund in a single local revenue account instead of recording revenue by source in accordance with the Regional Office of Education Accounting Manual.
- F. The Child and Family Connections and Regional Office of Prevention Effectiveness Services grants were both overexpended in prior years and carry deficit balances of \$36,655 and \$4,629, respectively. The Regional Office will not receive any additional funding from the grantors for these specific program years.
- G. Six journal entries were not supported by documentation showing review and approval by someone independent of the general ledger process.

- H. The individual who records deposits in the general ledger can also accept cash receipts and prepare the deposit slips. No one individual should have access to all or a majority of the steps within the receipts or disbursements process.

The Regional Office of Education #1 did not have sufficient internal controls over their accounting and closing processes to detect errors in their reporting. (Finding 2013-001, pages 11a-11b)

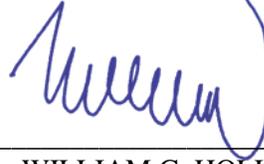
The auditors recommended the following:

- A. Administrative costs should be recorded in the fund that incurred the expenses. The associated transfer of cash to reimburse the fund that paid the costs should be recorded as an offset to the associated expenditure in the reimbursed fund.
- B. The Regional Office should establish procedures to ensure its capital asset listing is maintained in accordance with the Regional Office's capital asset policy.
- C. Transfers of cash internally between funds should be recorded as transfers.
- D. The Regional Office should establish procedures to ensure that all material accrual information is captured for reporting at the end of the fiscal year.
- E. The Regional Office should segregate revenue by source in its accounting system in accordance with the Regional Office of Education Accounting Manual.
- F. When the Regional Office has overexpended a reimbursement grant in a program year and will not receive any additional funding from the grantor for the program year, the Regional Office should transfer in unrestricted resources to cover the overexpenditures.
- G. All journal entries should be accompanied by supporting documentation showing review and approval by someone independent of the general ledger process.
- H. The individual that accepts cash or drafts the deposit slip should be independent of the general ledger process.

The Regional Office of Education #1 responded that it accepts this finding.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #1's financial statements as of June 30, 2013 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.