



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, 2014

Release Date: April 16, 2015

FINDINGS THIS AUDIT: 3				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
Category 1:	<u>New</u> 0	<u>Repeat</u> 1	<u>Total</u> 1	2013	14-1		
Category 2:	0	0	0				
Category 3:	<u>2</u>	<u>0</u>	<u>2</u>				
TOTAL	2	1	3				
FINDINGS LAST AUDIT: 1							

SYNOPSIS

- **(14-1)** The Regional Office of Education #1 did not have sufficient internal control over accounting transactions.
- **(14-2)** The Regional Office of Education #1 was in noncompliance with the Homeless Children and Youth grant.
- **(14-3)** The Regional Office of Education #1 had an unallowable expenditure of Institute Fund monies.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and/or **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with federal and/or State laws and regulations.

{ 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, 2014

	FY 2014	FY 2013
TOTAL REVENUES	\$1,702,788	\$1,627,568
Local Sources	\$323,574	\$288,427
% of Total Revenues	19.00%	17.72%
State Sources	\$1,120,696	\$1,072,808
% of Total Revenues	65.82%	65.91%
Federal Sources	\$258,518	\$266,333
% of Total Revenues	15.18%	16.36%
TOTAL EXPENDITURES	\$1,646,063	\$1,632,007
Salaries and Benefits	\$953,746	\$959,155
% of Total Expenditures	57.94%	58.77%
Purchased Services	\$175,933	\$201,443
% of Total Expenditures	10.69%	12.34%
All Other Expenditures	\$516,384	\$471,409
% of Total Expenditures	31.37%	28.89%
TOTAL NET POSITION	\$627,620	\$570,895
INVESTMENT IN CAPITAL ASSETS	\$23,474	\$19,796
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 sufficient 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.

Auditors noted the following internal control weaknesses over the accounting and closing processes:

- A. The Regional Office records overhead and administrative costs in the general fund and allocates those costs as needed to the appropriate special revenue or other funds. Auditors noted several instances where administrative costs were appropriately recorded as expenditures in the fund that reimbursed the cost but were also recorded as expenditures in the general fund, resulting in double-booking of the expenditures. In addition, the reimbursements to the general fund were recorded as transfers in, without a corresponding transfer out from the reimbursing fund, resulting in interfund transfers being out of balance. Also, other reimbursed expenditures and associated reimbursements were recorded as revenues and expenditures in both the reimbursing funds that incurred the costs and the general funds that paid the expenditures, resulting in double-booking of revenues and expenditures. This was noted for copier and postage costs incurred by various funds and the sheriff's salary incurred by the Safe Program.
- B. A refund of \$4,517 of insurance premiums was recorded as revenue rather than credited against the original expenditure.
- C. The general ledger did not support the expenditure report submitted to the grantor for the Child and Family Connections program. The expenditure report submitted showed \$2,635 more in expenditures than the general ledger.
- D. The December 2013 bank statement could not be located for one bank account.

The Regional Office of Education #1 did not have sufficient internal controls over its accounting and closing processes to detect errors in its reporting. (Finding 2014-001, 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. Refunds and reimbursements of prior expenditures should be credited against the relevant expenditure account rather than recorded as revenue.
- C. Expenditure reports submitted to grantors should be prepared from general ledger balances to accurately reflect actual expenditures.
- D. The Regional Office should maintain records, such as bank statements, in a way that ensures documents can be located when needed.

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

GRANT COMPLIANCE

The Regional Office of Education #1 was in noncompliance with the Homeless Children and Youth grant.

According to the Illinois Grant Funds Recovery Act (30 ILCS 705/4) and Illinois State Board of Education (ISBE) guidelines, any remaining grant funding unexpended at the end of the grant period must be returned to ISBE within 45 days.

The FY13 Homeless Children and Youth grant had \$2,539 unexpended at the end of FY13 which was due back to ISBE but had not yet been returned.

Failure to return unexpended grant funding when due results in noncompliance with grant agreements and can result in State grant funding being frozen until amounts due are returned.

The Regional Office did not receive a request to return the funding from ISBE and did not understand that the funding must be returned within 45 days absent permission from ISBE to carry the funding forward to the next grant period. (Finding 2014-002, page 11c)

The auditors recommended that the Regional Office of Education #1 should comply with the Grant Funds Recovery Act and return unexpended grant funding to the grantor within 45 days of the end of the grant period or obtain confirmation from the grantor that the funding can be carried forward to the next grant period.

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

UNALLOWABLE EXPENDITURE OF INSTITUTE FUND MONIES

The Regional Office of Education #1 had an unallowable expenditure of Institute Fund monies.

According to Article 3 of the Illinois School Code (105 ILCS 5/3-12), fees paid into the Institute Fund are restricted to specific uses, including to defray costs associated with professional workshops intended to promote the professional growth of teachers and to defray costs associated with the administration of teaching certificates.

The salary of the program director of the Administrators Academy program, which amounted to \$5,331, was paid from the Institute Fund. This was not an allowable use of Institute Fund monies since the Institute Fund is to be used for the professional development of teachers and not administrators.

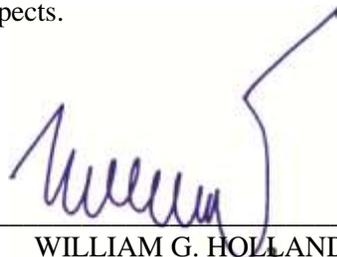
The Regional Superintendent believed the expenditure was permissible as it was associated with a professional development workshop for school administrators. (Finding 2014-003, page 11d)

The auditors recommended that the Regional Office of Education #1 should use Institute Fund monies only for purposes delineated in the Illinois School Code. The Regional Office should consult with the Illinois State Board of Education or legal counsel if there is uncertainty as to whether a particular expenditure is permitted from the Institute Fund under Article 3 of the Illinois School Code.

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, 2014 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.