



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

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**REGIONAL OFFICE OF EDUCATION #3**  
**BOND, FAYETTE AND EFFINGHAM COUNTIES**

**FINANCIAL AUDIT (In accordance with the Single  
Audit Act and OMB Circular A-133)  
For the Year Ended: June 30, 2010  
Release Date: March 10, 2011**

**Summary of Findings:**  
**Total this audit: 1**  
**Total last audit: 1**  
**Repeated from last audit: 1**

**SYNOPSIS**

- The Regional Office of Education #3 did not have sufficient internal controls over the financial reporting process.

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

**REGIONAL OFFICE OF EDUCATION #3**  
**BOND, FAYETTE AND EFFINGHAM COUNTIES**

**FINANCIAL AUDIT**  
**(In Accordance with the Single Audit Act and OMB Circular A-133)**  
**For The Year Ended June 30, 2010**

	<b>FY 2010</b>	<b>FY 2009</b>
<b>TOTAL REVENUES</b>	\$2,870,543	\$2,399,439
Local Sources	\$566,489	\$651,950
% of Total Revenues	19.73%	27.17%
State Sources	\$1,498,628	\$1,145,791
% of Total Revenues	52.21%	47.75%
Federal Sources	\$805,426	\$601,698
% of Total Revenues	28.06%	25.08%
<b>TOTAL EXPENDITURES</b>	\$2,699,222	\$2,416,529
Salaries and Benefits	\$1,572,325	\$1,455,395
% of Total Expenditures	58.25%	60.23%
Purchased Services	\$645,680	\$652,350
% of Total Expenditures	23.92%	27.00%
All Other Expenditures	\$481,217	\$308,784
% of Total Expenditures	17.83%	12.78%
<b>TOTAL NET ASSETS</b>	\$884,211	\$712,890
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$56,267	\$60,524
Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Mark A. Drone
Currently: Honorable Mark A. Drone

**FINDINGS, CONCLUSIONS, AND**  
**RECOMMENDATIONS**

**CONTROLS OVER FINANCIAL STATEMENT  
PREPARATION**

**The Regional Office of Education #3 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #3 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 #3 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 accounts receivable, capital assets, or deferred revenues.
- Numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.
- The Regional Office did not post all the prior year audit adjusting entries, which resulted in inaccurate financial statements during the course of the year.

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 10-1, pages 13-14) **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 #3 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 Superintendent responded that he does not have funds available to hire a certified public accountant to prepare or review financial statements. The Regional Superintendent noted the he will continue to seek training for the current bookkeeping staff to improve their understanding of accepted accounting principles and GASB pronouncements. (For previous Regional Office response, see Digest Footnote #1.)

### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #3's financial statements as of June 30, 2010 are fairly presented in all material respects.

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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 Superintendent responded that he agreed with the finding, but believed that the hiring or training of an individual with a thorough understanding of applicable generally accepted accounting principles and GASB pronouncements would be too costly. However, the Regional Office of Education #3 will continue to seek improvement within their internal controls system.