



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

William G. Holland, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #4**  
**BOONE AND WINNEBAGO COUNTIES**

FINANCIAL AUDIT (In accordance with the Single  
 Audit Act and OMB Circular A-133)  
 For the Year Ended: June 30, 2014

Release Date: February 11, 2015

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS						
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	1	1	2010	1		
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	0	1	1				
FINDINGS LAST AUDIT: 2							

**SYNOPSIS**

- **(14-1)** The Regional Office of Education #4 did not have sufficient internal controls over the financial reporting process.

**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 #4**  
**BOONE AND WINNEBAGO COUNTIES**

**FINANCIAL AUDIT**  
**(In Accordance with the Single Audit Act and OMB Circular A-133)**  
**For The Year Ended June 30, 2014**

	<b>FY 2014</b>	<b>FY 2013</b>
<b>TOTAL REVENUES</b>	\$5,116,524	\$5,952,349
Local Sources	\$1,780,546	\$1,674,987
% of Total Revenues	34.80%	28.14%
State Sources	\$2,762,371	\$2,151,558
% of Total Revenues	53.99%	36.15%
Federal Sources	\$573,607	\$2,125,804
% of Total Revenues	11.21%	35.71%
<b>TOTAL EXPENDITURES</b>	\$5,643,593	\$6,479,568
Salaries and Benefits	\$4,251,619	\$4,282,880
% of Total Expenditures	75.34%	66.10%
Purchased Services	\$1,056,179	\$908,862
% of Total Expenditures	18.71%	14.03%
All Other Expenditures	\$335,795	\$1,287,826
% of Total Expenditures	5.95%	19.88%
<b>TOTAL NET POSITION</b>	\$3,139,579 <sup>1</sup>	\$3,934,339
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$281,025 <sup>2</sup>	\$113,694
<sup>1</sup> The Beginning Net Position was restated by (\$267,691) due to a prior period adjustment and a reclassification of a program. <sup>2</sup> Capital asset amounts include debt associated with a leasehold improvement. Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Lori Fanello Currently: Honorable Lori Fanello

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **CONTROLS OVER FINANCIAL STATEMENT PREPARATION**

**The Regional Office of Education #4 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #4 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The Regional Office's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare GAAP-based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

The Regional Office of Education #4 did not have sufficient internal controls over the financial reporting process. The Regional Office maintains its 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, in their review of the Regional Office's accounting records, auditors noted the following:

- 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 accounts receivable, accounts payable, or unearned revenue. While the Regional Office did maintain records to indicate the balances of accounts payable, accounts receivable, and unearned revenue and made entries to record them, not all accounts payable, accounts receivable, and unearned revenue were correctly recorded.

According to Regional Office officials, current funding levels were not adequate to hire and/or train accounting personnel in order to comply with these requirements. (Finding 2014-001, pages 14a-14b) **This finding was first reported in 2010.**


The auditors recommended that, as part of internal control over the preparation of financial statements, including disclosures, the Regional Office of Education #4 should implement a comprehensive preparation and/or review

procedure to ensure 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 #4 responded that it accepts the degree of risk associated with this condition because the additional expense to seek outside accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region. The Regional Office of Education #4 noted that it has also expended time and resources to remedy conditions underlying this finding. The Regional Office stated that it has implemented staffing changes to provide more checks and balances to its accounting processes and contracted with an outside Software Specialist to bring its accounting system into compliance with ISBE accounting standards and to train its staff. The Regional Office noted that it will continue to work with a Software Specialist to ascertain that its accounting program is up to date and its staff possesses the knowledge required to compile the necessary GAAP-based financial statements. (For previous Regional Office response, see Digest Footnote #1.)

#### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #4's financial statements as of June 30, 2014 are fairly stated in all material respects.



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WILLIAM G. HOLLAND  
Auditor General

WGH:KJM

AUDITORS ASSIGNED: Kemper CPA Group LLP were our special assistant auditors.

## **DIGEST FOOTNOTE**

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

In its prior response in 2013, the Regional Office of Education #4 responded that it accepts the degree of risk associated with this condition because the additional expense to seek outside accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region. The Regional Office of Education #4 noted that it has also expended time and resources to remedy conditions underlying this finding. The Regional Office stated that it has implemented staffing changes to provide more checks and balances to its accounting processes and contracted with an outside Software Specialist to bring its accounting system into compliance with ISBE accounting standards and to train its staff. The Regional Office noted that it will continue to work with the Software Specialist to ascertain its accounting program is up to date and its staff possesses the knowledge required to compile the necessary GAAP based financial statements.