



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #10
CHRISTIAN AND MONTGOMERY COUNTIES

FINANCIAL AUDIT
For the Year Ended: June 30, 2010

Release Date: July 14, 2011

Summary of Findings:

Total this audit:	2
Total last audit:	0
Repeated from last audit:	0

SYNOPSIS

- The Regional Office of Education #10 did not have sufficient internal controls over checks.
- The Regional Office of Education #10 did not have sufficient controls over restricted cash in the Institute Fund.

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

REGIONAL OFFICE OF EDUCATION #10
CHRISTIAN AND MONTGOMERY COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2010

	FY 2010	FY 2009
TOTAL REVENUES	\$1,195,002	\$1,156,502
Local Sources	\$182,033	\$182,764
% of Total Revenues	15.23%	15.80%
State Sources	\$902,752	\$886,787
% of Total Revenues	75.54%	76.68%
Federal Sources	\$110,217	\$86,951
% of Total Revenues	9.22%	7.52%
TOTAL EXPENDITURES	\$1,191,153	\$1,145,542
Salaries and Benefits	\$1,015,013	\$969,676
% of Total Expenditures	85.21%	84.65%
Purchased Services	\$134,285	\$132,297
% of Total Expenditures	11.27%	11.55%
All Other Expenditures	\$41,855	\$43,569
% of Total Expenditures	3.51%	3.80%
TOTAL NET ASSETS	\$147,646	\$143,797
INVESTMENT IN CAPITAL ASSETS	\$15,051	\$18,779
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Greg Springer Currently: Honorable Thomas L. Campbell

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INTERNAL CONTROLS OVER CHECKS

The Regional Office of Education #10 did not have sufficient internal controls over checks.

The Regional Office of Education #10's current internal control procedures have established the Regional Superintendent as the authorized signature on the Regional Office's bank accounts and require that the Regional Superintendent sign every check prepared for a disbursement. In addition, banking practices require that checks be signed by authorized signatures prior to being processed by the financial institution.

Auditors noted seven instances throughout the fiscal year where a check had been processed by the Regional Office's financial institution and the check was not signed by the Regional Superintendent. The signature line was blank.

A material unauthorized check could have been processed by the Regional Office's financial institution and not detected by the Regional Office in a timely manner.

According to Regional Office officials, they were not following their established internal controls when processing checks prior to being mailed. In addition, the Regional Office was not properly reviewing the copies of canceled checks in each bank statement noting the omission of the Regional Superintendent's signature. (Finding 10-01, page 10a)

The auditors recommended that the Regional Office of Education #10 should ensure that all personnel are aware of and follow the Regional Office's established internal controls to ensure that all checks contain the Regional Superintendent's signature prior to mailing the disbursement to a vendor. In addition, the Regional Office should carefully review the canceled checks on each bank statement noting any unusual items.

The Regional Superintendent of the Regional Office of Education #10 noted that he assumes responsibility for this omission and will strive to ensure that the auditors' recommendations are implemented.

CONTROLS OVER RESTRICTED CASH

The Regional Office of Education #10 did not have sufficient controls over restricted cash in the Institute Fund.

The Regional Office of Education #10 did not have sufficient controls over restricted cash in the Institute Fund. Illinois statute 105 ILCS 5/3-12 restricts the use of monies in the Institute Fund to specific purposes: to defray expenses associated with the work of the regional professional development review committees; to defray expenses

connected with improving the technology necessary for the efficient processing of certificates; to defray expenses incidental to teachers' institutes, workshops, or professional meetings designed to promote the professional growth of teachers; or to defray the expense of any general or special meeting of teachers or school personnel of the region that has been approved by the Regional Superintendent. In addition, programs funded by State and federal grant contracts restrict the use of grant monies for the specific purposes of the grant and must be tracked and maintained separately.

The Regional Office pools its cash for all programs in a single bank account. At June 30, 2010, cash in all State and federal grant funded programs, as well as a significant portion of the Institute Fund's cash was depleted in order to cover deficit cash balances in the various program/funds of the Regional Office. Short term lending is an unauthorized use of designated and restricted cash funding.

The Regional Office was not in compliance with Illinois statute 105 ILCS 5/3-12 or with State and federal grant agreements. Cash balances that were designated and/or restricted for specific purposes were used to fund expenditures other than those for which the revenue source was intended.

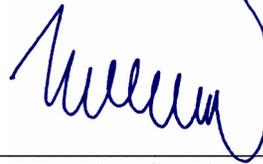
According to Regional Office of Education #10 officials, because the Regional Office is primarily funded on a reimbursement basis, the delay in funding receipt from the State of Illinois has caused programs which the Regional Office was already in the midst of operating to have severe cash deficits. To continue operating as the grant agreement stipulates, cash had to be used from other reserves in order to fund expenditures that were to be reimbursed by the State. (Finding 10-02, page 10b-10c)

Auditors recommended that the Regional Office of Education #10 should not use cash that has been designated or restricted for a specific purpose to cover deficit cash balances in a program/fund other than those for which the cash is intended. Additionally, the Regional Office should develop procedures to ensure unauthorized borrowing from designated and restricted cash does not occur and to ensure cash in each fund is expended only for the purposes permitted by the applicable Illinois statute or grant contract.

The Regional Superintendent of the Regional Office of Education #10 noted that he will continue to operate under the premise that the State of Illinois will live up to contractual obligations and, if that is again not the case, will make every effort to fulfill his/her legal responsibilities as described in this finding.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #10's financial statements as of June 30, 2010 are fairly presented in all material respects.

A handwritten signature in blue ink, appearing to read "William G. Holland", is written over a horizontal line.

WILLIAM G. HOLLAND
Auditor General

WGH:KJM

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