

**State of Illinois
SUBURBAN COOK COUNTY
REGIONAL OFFICE OF EDUCATION NO. 14
FINANCIAL AUDIT
For the Year Ended June 30, 2009**

**Performed as Special Assistant Auditors
for the Auditor General, State of Illinois**

INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we were engaged to audit the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Suburban Cook County Regional Office of Education No. 14, as of and for the year ended June 30, 2009, which collectively comprise the Suburban Cook County Regional Office of Education No. 14's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Suburban Cook County Regional Office of Education No. 14's management.

Suburban Cook County Regional Office of Education No. 14's accounting records were inadequate and contained numerous errors. As a result, we were unable to satisfy ourselves about the accuracy and completeness of the accounting records through applying our audit procedures.

Because of the matter discussed in the above paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the financial statements referred to in the first paragraph.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2011, on our consideration of the Suburban Cook County Regional Office of Education No. 14's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Suburban Cook County Regional Office of Education No. 14 has not presented a Management's Discussion and Analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was to be conducted for the purpose of forming opinions on the financial statements that collectively comprise the Suburban Cook County Regional Office of Education No. 14's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparison schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. Because the accounting records of Suburban Cook County Regional Office of Education No. 14 were inadequate and we were unable to apply other auditing procedures regarding the accuracy and completeness of the accounting records as discussed in the second paragraph, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the combining and individual nonmajor fund financial statements and budgetary comparison schedules.

Wentz, Park & Foster, CPA PC

Clinton, Iowa
March 16, 2011

**REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON CRITERIA FOR AUDITS OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Honorable William G. Holland
Auditor General
State of Illinois

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Internal Control Over Financial Reporting

In planning and performing our engagement, we considered the Suburban Cook County Regional Office of Education No. 14's internal control over financial reporting as a basis for designing our auditing procedures, but not for the purpose of expressing an opinion on the effectiveness of the Suburban Cook County Regional Office of Education No. 14's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Suburban Cook County Regional Office of Education No. 14's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control over financial reporting* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies in Suburban Cook County Regional Office of Education No. 14's internal control over financial reporting described in the accompanying Schedule of Findings and Responses as items 09-1, 09-2, 09-4, 09-5, 09-6, 09-9, 09-10, and 09-11 to be material weaknesses.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control over financial reporting that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in Suburban Cook County Regional Office of Education No. 14's internal control over financial reporting described in the accompanying Schedule of Findings and Responses as items 09-3, 09-7, and 09-8 to be significant deficiencies.

Compliance and Other Matters

In connection with our engagement to audit the basic financial statements of Suburban Cook County Regional Office of Education No. 14, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 09-11. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

Suburban Cook County Regional Office of Education No. 14 was unable to provide responses to the findings that are identified in our audit and described in the accompanying Schedule of Findings and Responses due to the Regional Office no longer being in existence at the conclusion of the audit.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, others within the organization, and the Illinois State Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

Wendell, Park & Foster, CPA PC

Clinton, Iowa
March 16, 2011

**State of Illinois
SUBURBAN COOK COUNTY
REGIONAL OFFICE OF EDUCATION NO. 14
FINANCIAL AUDIT
For the Year Ended June 30, 2009**

**Performed as Special Assistant Auditors
for the Auditor General, State of Illinois**

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
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SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
OFFICIALS

Regional Superintendent
(during the audit period)

Honorable Dr. Charles A. Flowers

Assistant Regional Superintendent
(during the audit period)

Dr. Harry Reynolds

Assistant Regional Superintendent
(2 months during the audit period)

Dr. Nichelle Rivers

Assistant Regional Superintendent
(during the audit period)

Dr. Predonna Roberts

Assistant Regional Superintendent
(10 months during the audit period)

Ms. Cynthia Broughton

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14

FINANCIAL REPORT SUMMARY

The financial audit testing performed in this audit was conducted in accordance with *Government Auditing Standards* and in accordance with the Illinois State Auditing Act.

AUDITOR'S REPORTS

The auditor's reports contain scope limitations, disclaimers, or other significant non-standard language.

SUMMARY OF AUDIT FINDINGS

<u>Number of</u>	<u>This Audit</u>	<u>Prior Audit</u>
Audit findings	11	12
Repeated audit findings	11	3
Prior recommendations implemented or not repeated	1	0

Details of audit findings are presented in a separate report section.

SUMMARY OF FINDINGS AND RESPONSES

<u>Item</u>	<u>Page</u>	<u>Description</u>	<u>Type</u>
FINDINGS (GOVERNMENT AUDITING STANDARDS)			
09-1	10-12	Controls Over Financial Statement Preparation	Material Weakness
09-2	13	Continuation as a Going Concern	Material Weakness
09-3	14	Inadequate Accounting Software and Internal Controls	Significant Deficiency
09-4	15-16	Inadequate Internal Control Over Disbursements	Material Weakness
09-5	17	Reconciliation of Bank Statements and Pooled Cash Accounts	Material Weakness
09-6	18-19	Inadequate Controls Over Property and Equipment	Material Weakness
09-7	20-21	Cash Advances to Employees	Significant Deficiency
09-8	22	Payment of Finance Charges, Late Fees, Transfer Fees, Other Service Charges, and Sales Taxes	Significant Deficiency
09-9	23	Use of Regional Office Credit Cards	Material Weakness
09-10	24-25	Questionable Payroll Payments	Material Weakness
09-11	26-27	Restricted Funds Used for Unauthorized Purpose	Material Weakness

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14

FINANCIAL REPORT SUMMARY

<u>Item</u> <u>No.</u>	<u>Page</u>	<u>Description</u>	<u>Type</u>
PRIOR FINDINGS NOT REPEATED (GOVERNMENT AUDITING STANDARDS)			
08-7	41	Recording of Payroll Transactions	Material Weakness

EXIT CONFERENCE

There was no formal exit conference performed for the financial audit ended on June 30, 2009 due to the Suburban Cook County Regional Office of Education No. 14 no longer being in existence at the conclusion of the audit.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14

FINANCIAL STATEMENT REPORT SUMMARY

The audit of the accompanying basic financial statements of Suburban Cook County Regional Office of Education No. 14 was performed by Winkel, Parker & Foster, CPA PC.

Based on their audit, the auditors expressed a disclaimer of opinion on Suburban Cook County Regional Office of Education No. 14's basic financial statements.

INDEPENDENT AUDITOR'S REPORT

Honorable William G. Holland
Auditor General
State of Illinois

As Special Assistant Auditors for the Auditor General, we were engaged to audit the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Suburban Cook County Regional Office of Education No. 14, as of and for the year ended June 30, 2009, which collectively comprise the Suburban Cook County Regional Office of Education No. 14's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Suburban Cook County Regional Office of Education No. 14's management.

Suburban Cook County Regional Office of Education No. 14's accounting records were inadequate and contained numerous errors. As a result, we were unable to satisfy ourselves about the accuracy and completeness of the accounting records through applying our audit procedures.

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Clinton, Iowa
March 16, 2011

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Compliance and Other Matters

In connection with our engagement to audit the basic financial statements of Suburban Cook County Regional Office of Education No. 14, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed one instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings and Responses as item 09-11. Additionally, if the scope of our work had been sufficient to enable us to express opinions on the basic financial statements, other instances of noncompliance or other matters may have been identified and reported herein.

Suburban Cook County Regional Office of Education No. 14 was unable to provide responses to the findings that are identified in our audit and described in the accompanying Schedule of Findings and Responses due to the Regional Office no longer being in existence at the conclusion of the audit.

This report is intended solely for the information and use of the Auditor General, the General Assembly, the Legislative Audit Commission, the Governor, agency management, others within the organization, and the Illinois State Board of Education and is not intended to be and should not be used by anyone other than these specified parties.

Clinton, Iowa
March 16, 2011

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009

Section I: Summary of Auditor's Results:

Financial Statements

Type of auditor's report issued: _____ Disclaimer of Opinion _____

Internal control over financial reporting:

- Material weakness(es) identified? x yes _____ no
- Significant deficiencies identified that are not
 considered to be material weaknesses? x yes _____ none reported
- Noncompliance material to financial statements noted? x yes _____ no

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 09-1 - Controls Over Financial Statement Preparation (Repeat from 2008 - No. 08-1 and 2007 - No. 07-1)

Criteria/Specific Requirement:

The Regional Office of Education No. 14 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).

Condition:

For the fiscal year ended June 30, 2008, auditors disclaimed an opinion on the financial statements of Regional Office of Education No. 14. To allow the Regional Office time to compile the necessary information and prepare its financial reports for the fiscal year 2009 audit, the auditors delayed beginning audit work at the Regional Office until the week of January 25th, 2010. While the auditors conducted preliminary work at the Regional Office during the week of January 25th, the Regional Office had not prepared the information needed to conduct the audit.

Auditors planned to return the week of March 15th when Regional Office staff indicated that the necessary information would be prepared. However, the necessary reports were not prepared and auditors did not return to the Regional Office for substantive testing during the week of March 15th. In April and May the Regional Office provided some but not all the information requested by the auditors.

The Regional Office noted that certain information needed to prepare its financial reports as well as other information was taken by the Cook County State's Attorney's Office and not returned until May 10, 2010. In June 2010, the auditors conducted fieldwork at the Regional Office and received additional reports and information from them. However, the Regional Office went out of existence on June 30th and all requested information had not been provided to the auditors. In the fall of 2010, the auditors, in coordination with the Illinois State Board of Education, reviewed Regional Office files that were transferred to Intermediate Service Center #2. However, there was still a significant amount of information that the auditors were unable to obtain.

The Regional Office of Education No. 14 did not have sufficient internal controls over the financial reporting process. The Regional Office of Education used spreadsheets to track and report financial information during the fiscal year. This is discussed further in Finding No. 09-3.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 09-1 - Controls Over Financial Statement Preparation (Repeat from 2008 - No. 08-1 and 2007 - No. 07-1)(Continued)

There were 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 and correct financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not maintain adequate internal controls over the processing of all financial transactions and numerous adjustments would be required to present financial statements in accordance with generally accepted accounting principles.
- The Regional Office did not have adequate controls over the maintenance of complete records of deferred revenue, payroll, general disbursements, or capital assets.
- Due to the inadequate controls noted above, the Regional Office's trial balance was inaccurate. The following issues were noted:
 - Depreciation of capital assets was not recorded in the general ledger by the Regional Office.
 - Deferred revenue for grant monies received after 60 days of the fiscal year end was not properly adjusted by the Regional Office.
 - Many of the fund balance accounts listed on the trial balance received from the Regional Office did not agree to the amounts reported in the prior year. The Regional Office made adjustments to the beginning fund balances, however, support for these adjustments was not provided to the auditors. For financial statement presentation, the prior year ending balances were used as the beginning balances.

Effect:

Management or employees in the normal course of performing their assigned functions may not prevent or detect and correct financial statement misstatements and disclosure omissions in a timely manner.

Cause:

There was a lack of management oversight and review of financial information on a timely basis.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 09-1 - Controls Over Financial Statement Preparation (Repeat from 2008 - No. 08-1 and 2007 - No. 07-1)(Continued)

Recommendation:

As part of its internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education No. 14 should implement a comprehensive preparation and/or review procedure to ensure that 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 No. 14's activities and operations.

Management's Response:

Management did not provide a response to the finding since the Regional Office is no longer in existence.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 09-2 - Continuation as a Going Concern (Repeat from 2008 - No. 08-2, 2007 - No. 07-2, 2006 - No. 06-2)

Criteria/Specific Requirement:

All audits conducted in accordance with generally accepted auditing standards require the auditor to evaluate the entity's financial position and contemplate the continuation of the entity as a going concern.

Condition:

The Suburban Cook County Regional Office of Education No. 14's liabilities exceeded its total net assets by \$1,088,372 as of June 30, 2009. The deficiency of revenues over expenditures was \$146,528 for the year ended June 30, 2009.

On June 17, 2008, the Regional Office obtained a loan from Cook County in the amount of \$190,000. This loan was used to finance Regional Office operations. The Regional Office of Education failed to make the required repayment of \$190,000, which was due to the County on June 30, 2009.

It was also noted that the Regional Office had a payable balance to a single vendor that had accumulated to \$103,080 as of June 30, 2009. Furthermore, during review of credit card statements, it was noted that 2 cash advances totaling \$11,000 were received by the Regional Office. The cash was deposited into the Regional Office bank account to be used for operations.

Effect:

As of July 1, 2010, the Regional Office of Education was dissolved.

Cause:

In the current and previous fiscal years, there were questionable uses of Regional Office funds, which contributed to the financial problems of the Regional Office. Regional Office officials have previously stated that the Suburban Cook County Regional Office of Education No. 14 is the only Regional Office of Education in the State of Illinois that does not receive funding from its respective county.

Recommendation:

The Regional Office of Education No. 14 should attempt to streamline operations so that expenditures are lowered and/or continue to seek additional funding sources. The Regional Office should establish a plan to reduce outstanding balances owed to vendors and ensure that amounts are available to pay debt balances.

Management's Response:

Management did not provide a response to the finding since the Regional Office is no longer in existence.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 09-3 - Inadequate Accounting Software and Internal Controls (Repeat from 2008 - No. 08-3 and 2007 - No. 07-3)

Criteria/Specific Requirement:

The Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system to prevent errors and irregularities. In addition, the Regional Office of Education is required by the Illinois State Board of Education to maintain their accounting system in accordance with the Regional Office of Education Accounting Manual. The Manual requires the Regional Office of Education to maintain an accounting system on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual balances and changes therein.

Condition:

The Regional Office of Education used spreadsheets to process financial information, which is not an accounting software package designed for governmental entities. The spreadsheets do not provide the internal controls and reporting features required for proper fund accounting. The Regional Office had previously purchased a new accounting system but had not placed it into service.

Effect:

With the use of spreadsheets, management cannot easily obtain entity-wide financial information necessary to make informed management decisions. Without an accounting system with proper internal controls, errors or misappropriations may have occurred and not been detected by management. In addition, financial statements in accordance with generally accepted accounting principles and the Regional Office of Education Accounting Manual cannot be readily prepared from the current accounting system.

Cause:

A new accounting software package had not been implemented at the office that would have allowed the Regional Office to maintain an accounting system with internal controls and reporting features required for proper fund accounting.

Recommendation:

The Regional Office of Education No. 14 should implement an accounting software application that provides the necessary controls and reporting features required for proper fund accounting. The accounting system should have the capabilities necessary for the Regional Office to be in compliance with the Regional Office of Education Accounting Manual and provide the reporting detail necessary to prepare financial statements in accordance with generally accepted accounting principles.

Management's Response:

Management did not provide a response to the finding since the Regional Office is no longer in existence.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 09-4 - Inadequate Internal Control Over Disbursements (Repeat from 2008 - No. 08-4)

Criteria/Specific Requirement:

The Regional Office of Education is responsible for establishing and maintaining an internal control system over disbursements and reimbursements to prevent errors and fraud.

Condition:

During the audit we noted the following weaknesses in the Regional Office's internal control system:

- a. In 9 of 25 transactions tested, there was no invoice to support the expenditure.
- b. In 3 of 25 transactions tested, the approval of expenditures before payment was made by a bookkeeper, as opposed to a member of management.
- c. In 1 of 25 transactions tested, the amount paid was incorrectly calculated. An employee was reimbursed \$1 for each mile traveled. A mileage reimbursement rate was not applied to the miles traveled.
- d. In 1 of 25 transactions tested, it was noted that sales taxes were paid. The Regional Office is exempt from the payment of sales tax but did not provide documentation to the vendor to avoid paying the sales tax.
- e. In 1 of 25 transactions tested, an expenditure was not recorded in the proper fund.
- f. In 2 of 25 transactions tested, expenditures were recorded as supplies and materials, when they should have been recorded as purchased services.
- g. In 1 of 25 transactions tested, a reimbursement was paid prior to receiving a supporting receipt of the expense. The reimbursement was subsequently reimbursed by the employee.
- h. In 2 of 25 transactions tested, the Regional Office was unable to provide contracts for vendors who were paid for performing services for a grant program. There was no evidence of management reviewing and approving the salaries and benefits paid to these vendors.
- i. In 1 of 25 transactions tested, the date on an invoice indicated that services were provided in November 2008, however the payment voucher indicated that the payment was for services provided in February of 2009. Auditors were unable to ascertain if the invoice attached to the payment voucher was related to the expense being requested for payment.
- j. In 11 of 25 transactions tested, a cancelled check image was not provided to auditors.
- k. In 1 of 5 transactions tested, the original voided check was not provided to auditors as proof of the check being voided.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 09-4 - Inadequate Internal Control Over Disbursements (Repeat from 2008 - No. 08-4)(Continued)

Because of the overall lack of internal controls, which resulted in the problems listed above, questions as to the accuracy and completeness of the general ledger, and problems noted in other findings throughout this report, auditors terminated work before testing was completed and issued a disclaimer of opinion on the financial statements for the year ended June 30, 2009.

Effect:

The internal control weaknesses noted above could result in unintentional or intentional errors or misappropriation of assets, where the errors or fraud could be material to the financial statements and may not be detected and corrected in a timely manner by employees in the normal course of performing their assigned duties.

Cause:

The Regional Office did not establish sufficient internal control procedures.

Recommendation:

The Regional Office of Education No. 14 should assure that a system of internal controls has been established and is maintained to control disbursements and prevent errors and fraud.

Management's Response:

Management did not provide a response to the finding since the Regional Office is no longer in existence.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 09-5 - Reconciliation of Bank Statements and Pooled Cash Accounts
(Repeat from 2008 - No. 08-5)

Criteria/Specific Requirement:

The bank statements and pooled cash accounts should be reconciled in a timely manner and not less than monthly.

Condition:

The Suburban Cook County Regional Office of Education No. 14 maintained pooled cash accounts for many of their funds. The Regional Office did not complete at least the first 6 of 12 monthly reconciliations of its bank statements and pooled cash accounts for fiscal year ended June 30, 2009 in a timely manner. These were completed subsequent to December 2008 after auditors brought the situation to the attention of management.

Effect:

Inaccurate recording of program transactions could result without being detected and corrected causing incomplete and inaccurate financial information.

Cause:

Reconciliations of the bank statements and pooled cash accounts were not completed timely throughout the year.

Recommendation:

The Regional Office of Education No. 14 should ensure that all bank statements and pooled cash accounts are reconciled timely and not less than monthly.

Management's Response:

Management did not provide a response to the finding since the Regional Office is no longer in existence.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 09-6 - Inadequate Controls Over Property and Equipment (Repeat from 2008
- No. 08-6)

Criteria/Specific Requirement:

The Regional Office of Education (ROE) Accounting Manual requires each Regional Office to maintain detailed fixed asset records for both accounting purposes as well as insurance purposes, for fixed assets costing \$500 or more. Generally accepted accounting principles require that inventory of all fixed assets and depreciation schedules for assets meeting the capitalization threshold for reporting are maintained.

The ROE Accounting Manual also states that the fixed asset inventory records should include: the inventory control number (tag number); major asset class; function and activity; reference to the acquisition source document; acquisition date; vendor; a short description of the asset; unit charged with custody; location; fund and account from which purchased; method of acquisition; estimated useful life and method of depreciation; estimated salvage value; and date, method, and authorization of disposal.

In addition, sound internal controls require that policies and procedures on fixed assets should cover acquisition and tagging, recording and reporting, depreciation (if applicable), transfers and dispositions, and annual physical inventory, and that they should be formally documented and consistently applied.

Condition:

An updated fixed asset listing was not properly maintained by the Regional Office during the year. The fixed asset listing that was provided to auditors was inaccurate and incomplete. Many of the required details such as purchase date, cost, useful life, etc were not provided. Also, depreciation was not calculated for a majority of the items on the listing. The information provided was unreliable, and auditors were unable to obtain information to accurately reflect fixed assets maintained by the Regional Office.

Effect:

The absence of a sound system of internal controls over fixed assets can result in inaccurate reporting of fixed assets and inadequate physical control for equipment items. An incomplete fixed asset listing does not provide an adequate basis for physical control and losses may occur without being detected.

Cause:

The fixed asset listing was not updated when asset purchases occurred and the depreciation section of the listing was incomplete for some of the assets.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 09-6 - Inadequate Controls Over Property and Equipment (Repeat from 2008
- No. 08-6)(Continued)

Recommendation:

The Regional Office of Education No. 14 should adhere to the Regional Office of Education Accounting Manual and should check the fixed asset listing for accuracy and existence through an annual physical inventory. Reconciliations should be performed between the fixed asset listing and the recorded capital outlay expenditures for the year. Finally, depreciation should be calculated and tracked for all fixed assets.

Management's Response:

Management did not provide a response to the finding since the Regional Office is no longer in existence.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 09-7 - Cash Advances to Employees (Repeat from 2008 - No. 08-8)

Criteria/Specific Requirement:

Internal controls should ensure that expenses incurred by the Regional Office are adequately documented, incurred for a business purpose, and represent economical and effective use of Regional Office resources. The Regional Office should also have adequate controls in place over the processing of payroll to ensure that deductions are accurate and timely.

Condition:

There were 2 instances noted where cash advances were provided to employees and not repaid in accordance with terms of the advance contract. In both instances, contracts were signed by the Regional Superintendent and stipulated terms for repayment through payroll check deductions. Neither of the contracts required collateral or security in the event that the employee ceased employment at the Regional Office.

- During fiscal year 2008, the Regional Superintendent approved a cash advance for \$6,000 to an employee, who is also his family relative, for purposes not related to Regional Office operations. Repayments were to occur each pay period starting on April 4, 2008 and final payment due on December 31, 2008. The payroll records indicated that repayments started in September 2008 and were made consistently through April 2009. An additional payment, in an amount in excess of the required payment, was also made in May 2009. As of June 30, 2009, the balance of the repayment was \$1,000 based on the general ledger prepared by the Regional Office and provided to auditors.
- During fiscal year 2008, the Regional Superintendent approved a cash advance for \$9,000 to an employee for purposes not related to Regional Office operations. Repayments were to occur each pay period starting on November 16, 2007 (FY 08) and the final payment due on July 11, 2008 (FY 09). Per the payroll records, the last advance payment was received by the Regional Office on August 22, 2008. Prior to the use of the outside payroll vendor which began in February 2008, the auditors could not readily determine whether repayments had been made. According to Regional Office officials, the advance was repaid as of June 30, 2009.

Effect:

Non-business purpose cash advances result in an improper use of Regional Office financial resources. Inadequate monitoring of advance repayments may result in monies not being repaid to the Regional Office.

Cause:

According to Regional Office officials, the salary advances made in fiscal year 2008 were made because the employees were experiencing financial difficulties. Additionally, the Regional Office did not have adequate controls in place to ensure that advance repayments were made in accordance with approved contracts.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 09-7 - Cash Advances to Employees (Repeat from 2008 - No. 08-8)
(Continued)

Recommendation:

The Regional Office of Education No. 14 should discontinue the practice of providing payroll advances to employees. For those payroll advances already granted, the Regional Office should seek repayment of those advances as expeditiously as possible.

Management's Response:

Management did not provide a response to the finding since the Regional Office is no longer in existence.

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009**

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 09-8 - Payment of Finance Charges, Late Fees, Transfer Fees, Other Service Charges, and Sales Taxes (Repeat from 2008 - No. 08-9)

Criteria/Specific Requirement:

Internal controls should exist to ensure that bills are paid in a timely fashion. In addition, controls should be in place to ensure that sales taxes are not paid by the Regional Office.

Condition:

The Suburban Cook County Regional Office of Education No. 14 had 6 credit cards assigned to various employees. Per review of credit card statements received by the auditors, it was noted that \$1,080 was incurred for purchase finance charges, \$194 for cash advance finance charges, \$738 for late fees, and \$70 in other miscellaneous service charges. Approximately \$1,254 of the total \$2,082 in charges was incurred on the Regional Superintendent's credit card.

Auditors noted during their review of bank statements, that the Regional Office paid \$96 during fiscal year 2009 for performing wire transfers from their operating bank account.

In addition, in 1 of 25 transactions tested, it was noted that sales tax was paid on a Regional Office purchase.

Effect:

Payment of finance charges, late fees, transfer fees, other service charges, and sales taxes results in an ineffective use of Regional Office financial resources.

Cause:

There was a lack of management oversight to ensure that credit payments were approved and made timely.

Recommendation:

The Regional Office of Education No. 14 should strengthen its internal controls to ensure that credit card bills are paid in a timely manner, reduce or eliminate the amount of transfer fees and other service charges incurred, and ensure that sales taxes are not incurred on goods purchased by the Regional Office.

Management's Response:

Management did not provide a response to the finding since the Regional Office is no longer in existence.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 09-9 - Use of Regional Office Credit Cards (Repeat from 2008 - No. 08-10)

Criteria/Specific Requirement:

Internal controls should ensure that expenses incurred by the Regional Office are adequately documented, incurred for a business purpose, and represent economical and effective use of Regional Office resources.

Condition:

The Suburban Cook County Regional Office of Education No. 14 had 6 credit cards assigned to various employees. The following was noted during a review of the credit card statements received by auditors:

- There was an overall lack of documentation to support credit card purchases. The majority of credit card statements did not have supporting receipts and documentation attached to them or the related payment vouchers. The Regional Office was unable to provide auditors with supporting receipts for 15 of the 26 items selected for testing. Of the 11 receipts obtained, the Regional Office failed to document the business purpose of the expense for 7 items including meal purchases, airline tickets, rental cars, and hotels.

Effect:

Lack of adequate controls increase the susceptibility of Regional Office funds for questionable activities or abuse.

Cause:

Inadequate controls over the reporting and review of credit card purchases.

Recommendation:

The Regional Office of Education No. 14 should ensure that appropriate documentation is provided for all credit card expenditures. Additionally, the Regional Office of Education should establish a policy regarding the use of Regional Office credit cards, including requiring that each transaction has adequate documentation showing the business purpose of the expenditure.

Management's Response:

Management did not provide a response to the finding since the Regional Office is no longer in existence.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 09-10 - Questionable Payroll Payments (Repeat from 2008 - No. 08-11)

Criteria/Specific Requirement:

The Regional Office of Education is responsible for ensuring its resources are efficiently used and that payroll payments are accurate.

Condition:

Assistant Regional Superintendents are paid by the State of Illinois. These payments come directly from the State of Illinois for their services as Assistant Regional Superintendents. In fiscal year 2009, one Assistant Regional Superintendent at the Suburban Cook County Regional Office of Education No. 14 was paid \$89,579 of salaries and benefits for a full year of work.

In addition to the salary payment indicated above, this Assistant Regional Superintendent was paid monies by the Regional Office for services related to a federal grant. The Assistant Regional Superintendent was paid \$7,333 in fiscal year 2009. When the Regional Office determined these payments as questionable costs, a receivable in the amount of \$7,333 was booked in the general fund, and the expenses were removed from the federal program. Subsequent reimbursement requests (some requested mileage reimbursements dated back to the beginning of the fiscal year) submitted for payment by the Assistant Regional Superintendent were not paid out but were netted against the established receivable balance. As of June 30, 2009, the Regional Office of Education's general ledger records indicated that the remaining receivable balance was \$3,872 from the Assistant Regional Superintendent.

There were also many deficiencies noted during the review of payroll transactions. Of the 23 employees selected for testing, 7 employees did not have proper documentation of their current pay rate. Ten of the 21 hourly employees tested did not have a supporting timecard for the pay period tested. Of the 11 employees that had a supporting timecard for the pay period tested, 2 of these timecards did not have signature of approval from a supervisor. Additionally, when reviewing timecards, it was noted that inconsistent procedures were used. For example, one employee indicated that they worked from 8:30am to 4:30pm with a half hour lunch and recorded 8 hours for the day. Another employee worked the same hours with a one hour lunch and recorded 8 hours for that day. It was also noted in some instances that an employee would take a shorter or longer lunch than a previous day, or arrive earlier or later than a previous day, yet the hours recorded were the same as the previous day.

Effect:

Regional Office resources are not being effectively used. If staff is being paid to work full-time for the Regional Office, it is questionable whether they should receive additional compensation from grant funds. In addition, inadequate controls over the payroll process can result in unintentional or intentional errors, where the errors or fraud could be material to the financial statements and may not be detected in a timely manner by employees in the normal course of performing their assigned duties.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 09-10 - Questionable Payroll Payments (Repeat from 2008 - No. 08-11)
(Continued)

Cause:

The Regional Office has not established sufficient internal control procedures for processing payroll.

Recommendation:

The Regional Office of Education should not provide additional salary compensation to employees who are already receiving a full-time salary. In addition, the Regional Office should establish a policy to ensure that employee hours are documented in a consistent manner and that all employees are being held to similar standards. The Regional Office should keep an adequate payroll file for each employee that contains pertinent information including approved contracts stipulating employee pay rates. The Regional Office should also ensure that when required, employee timecards are obtained and approved prior to issuing employee paychecks.

Management's Response:

Management did not provide a response to the finding since the Regional Office is no longer in existence.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 09-11 - Restricted Funds Used for Unauthorized Purpose (Repeat from 2008
- No. 08-12)

Criteria/Specific Requirement:

The Illinois School Code 105 ILCS 5/3-12 states that the Regional Superintendent shall use the Institute Fund to defray expenses incidental to teacher's institutes, workshops or meetings of a professional nature that are designed to promote the professional growth of teachers or for the purpose of defraying the expense of any general or special meeting of teachers or school personnel of the Region.

The Illinois School Code 105 ILCS 5/3-12 was amended by Public Act 96-893 which in addition to the items noted above, allows the Institute Fund to be used "to defray all costs associated with the administration of teaching certificates". Public Act 96-893 was effective July 1, 2010 (FY11) and therefore, was not effective during the period covered by this audit.

Condition:

The Regional Office used pooled cash accounts and Regional Office records indicate the Institute Fund loaned the General Fund cash in order to pay for expenses that may not have been in compliance with 105 ILCS 5/3-12 of the Illinois School Code.

At June 30, 2009 the Institute Fund had a balance in the "due from other funds" account of \$686,054. The Institute Fund appears to have loaned the General Fund funds, because the General Fund had a balance in its "due to other funds" account of \$700,469 at June 30, 2009. Further, the General Fund's expenditures exceeded its receipts by \$459,987 in the current year while the Institute Fund's receipts exceeded expenditures by \$387,628.

Effect:

The Regional Office was not in compliance with 105 ILCS 5/3-12.

Cause:

The Regional Office of Education No. 14 receives the majority of its funding from two sources. The first source is the Institute Fund. The primary responsibility of the Regional Office of Education No. 14 is the processing of teaching certificate renewals for the school districts in Suburban Cook County. The Regional Office retains a portion of each certificate renewal fee to use in compliance with the requirements outlined in 105 ILCS 5/3-12. According to 105 ILCS 5/3-12, the costs associated with processing the certificate renewals themselves is not an allowable cost. The second source of funding is from the State of Illinois for operational costs and the majority of that funding is paid out to the Intermediate Service Centers. Consequently, the Regional Office did not have enough unrestricted funding sources available to carry out the responsibilities associated with the teacher certification and registration process and it used the Institute Fund to support these costs.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SCHEDULE OF FINDINGS AND RESPONSES
Year Ended June 30, 2009

Section II: Findings Related to the Basic Financial Statements:

FINDING NO. 09-11 - Restricted Funds Used for Unauthorized Purpose (Repeat from 2008
- No. 08-12)(Continued)

Recommendation:

The Regional Office of Education No. 14 should use Institute Funds only for purposes delineated by 105 ILCS 5/3-12. The Regional Office should also seek additional funding sources in order to fund the operations of the office without being in violation of any State regulation.

Management's Response:

Management did not provide a response to the finding since the Regional Office is no longer in existence.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2009

FINDING NO. 09-1 - Controls Over Financial Statement Preparation

Condition:

For the fiscal year ended June 30, 2008, auditors disclaimed an opinion on the financial statements of Regional Office of Education No. 14. To allow the Regional Office time to compile the necessary information and prepare its financial reports for the fiscal year 2009 audit, the auditors delayed beginning audit work at the Regional Office until the week of January 25th, 2010. While the auditors conducted preliminary work at the Regional Office during the week of January 25th, the Regional Office had not prepared the information needed to conduct the audit.

Auditors planned to return the week of March 15th when Regional Office staff indicated that the necessary information would be prepared. However, the necessary reports were not prepared and auditors did not return to the Regional Office for substantive testing during the week of March 15th. In April and May the Regional Office provided some but not all the information requested by the auditors.

The Regional Office noted that certain information needed to prepare its financial reports as well as other information was taken by the Cook County State's Attorney's Office and not returned until May 10, 2010. In June 2010, the auditors conducted fieldwork at the Regional Office and received additional reports and information from them. However, the Regional Office went out of existence on June 30th and all requested information had not been provided to the auditors. In the fall of 2010, the auditors, in coordination with the Illinois State Board of Education, reviewed Regional Office files that were transferred to Intermediate Service Center #2. However, there was still a significant amount of information that the auditors were unable to obtain.

The Regional Office of Education No. 14 did not have sufficient internal controls over the financial reporting process. The Regional Office of Education used spreadsheets to track and report financial information during the fiscal year. This is discussed further in Finding No. 09-3.

There were 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 and correct financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not maintain adequate internal controls over the processing of all financial transactions and numerous adjustments would be required to present financial statements in accordance with generally accepted accounting principles.
- The Regional Office did not have adequate controls over the maintenance of complete records of deferred revenue, payroll, general disbursements, or capital assets.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2009

FINDING NO. 09-1 - Controls Over Financial Statement Preparation (Continued)

- Due to the inadequate controls noted above, the Regional Office's trial balance was inaccurate. The following issues were noted:
 - Depreciation of capital assets was not recorded in the general ledger by the Regional Office.
 - Deferred revenue for grant monies received after 60 days of the fiscal year end was not properly adjusted by the Regional Office.
 - Many of the fund balance accounts listed on the trial balance received from the Regional Office did not agree to the amounts reported in the prior year. The Regional Office made adjustments to the beginning fund balances, however, support for these adjustments was not provided to the auditors. For financial statement presentation, the prior year ending balances were used as the beginning balances.

Plan:

Management did not provide a corrective action plan since the Regional Office is no longer in existence.

Anticipated Date of Completion:

N/A

Name of Contact Person:

N/A

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2009

FINDING NO. 09-2 - Continuation as a Going Concern

Condition:

The Suburban Cook County Regional Office of Education No. 14's liabilities exceeded its total net assets by \$1,088,372 as of June 30, 2009. The deficiency of revenues over expenditures was \$146,528 for the year ended June 30, 2009.

On June 17, 2008, the Regional Office obtained a loan from Cook County in the amount of \$190,000. This loan was used to finance Regional Office operations. The Regional Office of Education failed to make the required repayment of \$190,000, which was due to the County on June 30, 2009.

It was also noted that the Regional Office had a payable balance to a single vendor that had accumulated to \$103,080 as of June 30, 2009. Furthermore, during review of credit card statements, it was noted that 2 cash advances totaling \$11,000 were received by the Regional Office. The cash was deposited into the Regional Office bank account to be used for operations.

Plan:

Management did not provide a corrective action plan since the Regional Office is no longer in existence.

Anticipated Date of Completion:

N/A

Name of Contact Person:

N/A

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2009**

FINDING NO. 09-3 - Inadequate Accounting Software and Internal Controls

Condition:

The Regional Office of Education used spreadsheets to process financial information, which is not an accounting software package designed for governmental entities. The spreadsheets do not provide the internal controls and reporting features required for proper fund accounting. The Regional Office had previously purchased a new accounting system but had not placed it into service.

Plan:

Management did not provide a corrective action plan since the Regional Office is no longer in existence.

Anticipated Date of Completion:

N/A

Name of Contact Person:

N/A

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2009

FINDING NO. 09-4 - Inadequate Internal Control Over Disbursements

Condition:

During the audit we noted the following weaknesses in the Regional Office's internal control system:

- a. In 9 of 25 transactions tested, there was no invoice to support the expenditure.
- b. In 3 of 25 transactions tested, the approval of expenditures before payment was made by a bookkeeper, as opposed to a member of management.
- c. In 1 of 25 transactions tested, the amount paid was incorrectly calculated. An employee was reimbursed \$1 for each mile traveled. A mileage reimbursement rate was not applied to the miles traveled.
- d. In 1 of 25 transactions tested, it was noted that sales taxes were paid. The Regional Office is exempt from the payment of sales tax but did not provide documentation to the vendor to avoid paying the sales tax.
- e. In 1 of 25 transactions tested, an expenditure was not recorded in the proper fund.
- f. In 2 of 25 transactions tested, expenditures were recorded as supplies and materials, when they should have been recorded as purchased services.
- g. In 1 of 25 transactions tested, a reimbursement was paid prior to receiving a supporting receipt of the expense. The reimbursement was subsequently reimbursed by the employee.
- h. In 2 of 25 transactions tested, the Regional Office was unable to provide contracts for vendors who were paid for performing services for a grant program. There was no evidence of management reviewing and approving the salaries and benefits paid to these vendors.
- i. In 1 of 25 transactions tested, the date on an invoice indicated that services were provided in November 2008, however the payment voucher indicated that the payment was for services provided in February of 2009. Auditors were unable to ascertain if the invoice attached to the payment voucher was related to the expense being requested for payment.
- j. In 11 of 25 transactions tested, a cancelled check image was not provided to auditors.
- k. In 1 of 5 transactions tested, the original voided check was not provided to auditors as proof of the check being voided.

Because of the overall lack of internal controls, which resulted in the problems listed above, questions as to the accuracy and completeness of the general ledger, and problems noted in other findings throughout this report, auditors terminated work before testing was completed and issued a disclaimer of opinion on the financial statements for the year ended June 30, 2009.

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2009**

FINDING NO. 09-4 - Inadequate Internal Control Over Disbursements (Continued)

Plan:

Management did not provide a corrective action plan since the Regional Office is no longer in existence.

Anticipated Date of Completion:

N/A

Name of Contact Person:

N/A

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2009**

FINDING NO. 09-5 - Reconciliation of Bank Statements and Pooled Cash Accounts

Condition:

The Suburban Cook County Regional Office of Education No. 14 maintained pooled cash accounts for many of their funds. The Regional Office did not complete at least the first 6 of 12 monthly reconciliations of its bank statements and pooled cash accounts for fiscal year ended June 30, 2009 in a timely manner. These were completed subsequent to December 2008 after auditors brought the situation to the attention of management.

Plan:

Management did not provide a corrective action plan since the Regional Office is no longer in existence.

Anticipated Date of Completion:

N/A

Name of Contact Person:

N/A

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2009**

FINDING NO. 09-6 - Inadequate Controls Over Property and Equipment

Condition:

An updated fixed asset listing was not properly maintained by the Regional Office during the year. The fixed asset listing that was provided to auditors was inaccurate and incomplete. Many of the required details such as purchase date, cost, useful life, etc were not provided. Also, depreciation was not calculated for a majority of the items on the listing. The information provided was unreliable, and auditors were unable to obtain information to accurately reflect fixed assets maintained by the Regional Office.

Plan:

Management did not provide a corrective action plan since the Regional Office is no longer in existence.

Anticipated Date of Completion:

N/A

Name of Contact Person:

N/A

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2009

FINDING NO. 09-7 - Cash Advances to Employees

Condition:

There were 2 instances noted where cash advances were provided to employees and not repaid in accordance with terms of the advance contract. In both instances, contracts were signed by the Regional Superintendent and stipulated terms for repayment through payroll check deductions. Neither of the contracts required collateral or security in the event that the employee ceased employment at the Regional Office.

- During fiscal year 2008, the Regional Superintendent approved a cash advance for \$6,000 to an employee, who is also his family relative, for purposes not related to Regional Office operations. Repayments were to occur each pay period starting on April 4, 2008 and final payment due on December 31, 2008. The payroll records indicated that repayments started in September 2008 and were made consistently through April 2009. An additional payment, in an amount in excess of the required payment, was also made in May 2009. As of June 30, 2009, the balance of the repayment was \$1,000 based on the general ledger prepared by the Regional Office and provided to auditors.

- During fiscal year 2008, the Regional Superintendent approved a cash advance for \$9,000 to an employee for purposes not related to Regional Office operations. Repayments were to occur each pay period starting on November 16, 2007 (FY 08) and the final payment due on July 11, 2008 (FY 09). Per the payroll records, the last advance payment was received by the Regional Office on August 22, 2008. Prior to the use of the outside payroll vendor which began in February 2008, the auditors could not readily determine whether repayments had been made. According to Regional Office officials, the advance was repaid as of June 30, 2009.

Plan:

Management did not provide a corrective action plan since the Regional Office is no longer in existence.

Anticipated Date of Completion:

N/A

Name of Contact Person:

N/A

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2009**

FINDING NO. 09-8 - Payment of Finance Charges, Late Fees, Transfer Fees, Other Service Charges, and Sales Taxes

Condition:

The Suburban Cook County Regional Office of Education No. 14 had 6 credit cards assigned to various employees. Per review of credit card statements received by the auditors, it was noted that \$1,080 was incurred for purchase finance charges, \$194 for cash advance finance charges, \$738 for late fees, and \$70 in other miscellaneous service charges. Approximately \$1,254 of the total \$2,082 in charges was incurred on the Regional Superintendent's credit card.

Auditors noted during their review of bank statements, that the Regional Office paid \$96 during fiscal year 2009 for performing wire transfers from their operating bank account.

In addition, in 1 of 25 transactions tested, it was noted that sales tax was paid on a Regional Office purchase.

Plan:

Management did not provide a corrective action plan since the Regional Office is no longer in existence.

Anticipated Date of Completion:

N/A

Name of Contact Person:

N/A

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2009**

FINDING NO. 09-9 - Use of Regional Office Credit Cards

Condition:

The Suburban Cook County Regional Office of Education No. 14 had 6 credit cards assigned to various employees. The following was noted during a review of the credit card statements received by auditors:

- There was an overall lack of documentation to support credit card purchases. The majority of credit card statements did not have supporting receipts and documentation attached to them or the related payment vouchers. The Regional Office was unable to provide auditors with supporting receipts for 15 of the 26 items selected for testing. Of the 11 receipts obtained, the Regional Office failed to document the business purpose of the expense for 7 items including meal purchases, airline tickets, rental cars, and hotels.

Plan:

Management did not provide a corrective action plan since the Regional Office is no longer in existence.

Anticipated Date of Completion:

N/A

Name of Contact Person:

N/A

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2009

FINDING NO. 09-10 - Questionable Payroll Payments

Condition:

Assistant Regional Superintendents are paid by the State of Illinois. These payments come directly from the State of Illinois for their services as Assistant Regional Superintendents. In fiscal year 2009, one Assistant Regional Superintendent at the Suburban Cook County Regional Office of Education No. 14 was paid \$89,579 of salaries and benefits for a full year of work.

In addition to the salary payment indicated above, this Assistant Regional Superintendent was paid monies by the Regional Office for services related to a federal grant. The Assistant Regional Superintendent was paid \$7,333 in fiscal year 2009. When the Regional Office determined these payments as questionable costs, a receivable in the amount of \$7,333 was booked in the general fund, and the expenses were removed from the federal program. Subsequent reimbursement requests (some requested mileage reimbursements dated back to the beginning of the fiscal year) submitted for payment by the Assistant Regional Superintendent were not paid out but were netted against the established receivable balance. As of June 30, 2009, the Regional Office of Education's general ledger records indicated that the remaining receivable balance was \$3,872 from the Assistant Regional Superintendent.

There were also many deficiencies noted during the review of payroll transactions. Of the 23 employees selected for testing, 7 employees did not have proper documentation of their current pay rate. Ten of the 21 hourly employees tested did not have a supporting timecard for the pay period tested. Of the 11 employees that had a supporting timecard for the pay period tested, 2 of these timecards did not have signature of approval from a supervisor. Additionally, when reviewing timecards, it was noted that inconsistent procedures were used. For example, one employee indicated that they worked from 8:30am to 4:30pm with a half hour lunch and recorded 8 hours for the day. Another employee worked the same hours with a one hour lunch and recorded 8 hours for that day. It was also noted in some instances that an employee would take a shorter or longer lunch than a previous day, or arrive earlier or later than a previous day, yet the hours recorded were the same as the previous day.

Plan:

Management did not provide a corrective action plan since the Regional Office is no longer in existence.

Anticipated Date of Completion:

N/A

Name of Contact Person:

N/A

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
CORRECTIVE ACTION PLAN FOR CURRENT YEAR AUDIT FINDINGS
Year Ended June 30, 2009

FINDING NO. 09-11 - Restricted Funds Used for Unauthorized Purpose

Condition:

The Regional Office used pooled cash accounts and Regional Office records indicate the Institute Fund loaned the General Fund cash in order to pay for expenses that may not have been in compliance with 105 ILCS 5/3-12 of the Illinois School Code.

At June 30, 2009 the Institute Fund had a balance in the "due from other funds" account of \$686,054. The Institute Fund appears to have loaned the General Fund funds, because the General Fund had a balance in its "due to other funds" account of \$700,469 at June 30, 2009. Further, the General Fund's expenditures exceeded its receipts by \$459,987 in the current year while the Institute Fund's receipts exceeded expenditures by \$387,628.

Plan:

Management did not provide a corrective action plan since the Regional Office is no longer in existence.

Anticipated Date of Completion:

N/A

Name of Contact Person:

N/A

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
June 30, 2009

<u>Finding No.</u>	<u>Condition</u>	<u>Current Status</u>
08-1	Controls Over Financial Statement Preparation	Repeated
08-2	Continuation as a Going Concern	Repeated
08-3	Inadequate Accounting Software and Internal Controls	Repeated
08-4	Inadequate Internal Control Over Disbursements	Repeated
08-5	Reconciliation of Bank Statements and Pooled Cash Accounts	Repeated
08-6	Inadequate Controls Over Property and Equipment	Repeated
08-7	Recording of Payroll Transactions	Resolved
08-8	Cash Advances to Employees	Repeated
08-9	Payment of Finance Charges, Late Fees, Transfer Fees, Other Service Charges, and Sales Taxes	Repeated
08-10	Use of Regional Office Credit Cards	Repeated
08-11	Questionable Payroll Payments	Repeated
08-12	Restricted Funds Used for Unauthorized Purpose	Repeated

BASIC FINANCIAL STATEMENTS

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
STATEMENT OF NET ASSETS
June 30, 2009

	Primary Government Governmental Activities
ASSETS	
Current assets:	
Inventory	\$ 4,850
Notes receivable	4,913
Due from other governments	<u>40,703</u>
Total current assets	50,466
Noncurrent assets:	
Capital assets, being depreciated, net	<u>21,089</u>
Total assets	<u>71,555</u>
LIABILITIES	
Current liabilities:	
Bank overdraft	298
Accounts payable and accrued liabilities	216,168
Due to other governments	190,000
Deferred revenue	<u>753,461</u>
Total liabilities	<u>1,159,927</u>
NET ASSETS	
Investment in capital assets, net of related debt	21,089
Unrestricted	<u>(1,109,461)</u>
Total net assets	<u>\$ (1,088,372)</u>

The accompanying notes are an integral part of the financial statements.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
STATEMENT OF ACTIVITIES
Year Ended June 30, 2009

EXHIBIT B

FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Net (Expenses) Revenues and Changes in Net Assets Primary Governmental Activities
Primary government:				
Governmental activities:				
Education:				
Salaries and benefits	\$ 694,829	\$ -	\$ 385,634	\$ (309,195)
Purchased services	345,028	-	191,492	(153,536)
Supplies and materials	40,604	-	22,535	(18,069)
Payments to other governments	552,432	-	306,602	(245,830)
Other objects	6,996	-	3,883	(3,113)
State teachers' certification board	176,028	176,028	-	-
Capital outlay	44,075	-	24,462	(19,613)
Administrative:				
On-behalf payments	392,653	-	-	(392,653)
Total primary government	\$ 2,252,645	\$ 176,028	\$ 934,608	(1,142,009)
General revenues:				
Local sources				572,119
State sources				30,709
On-behalf payments				392,653
Total general revenues				995,481
CHANGES IN NET ASSETS				(146,528)
NET ASSETS, BEGINNING OF YEAR				(941,844)
NET ASSETS, END OF YEAR				\$ (1,088,372)

The accompanying notes are an integral part of the financial statements.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2009

EXHIBIT C

	<u>General</u>	<u>Institute</u>	<u>Education</u>	<u>Other</u> <u>Nonmajor</u>	<u>Total</u> <u>Governmental</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Funds</u>	<u>Funds</u>
ASSETS					
Inventory	\$ -	\$ -	\$ -	\$ 4,850	\$ 4,850
Notes receivable	4,913	-	-	-	4,913
Due from other governments	9,994	-	30,709	-	40,703
Due from other funds	-	686,054	98,321	11,155	795,530
	<u>-</u>	<u>686,054</u>	<u>98,321</u>	<u>11,155</u>	<u>795,530</u>
TOTAL ASSETS	\$ 14,907	\$ 686,054	\$ 129,030	\$ 16,005	\$ 845,996
LIABILITIES AND FUND BALANCES (DEFICITS)					
LIABILITIES					
Bank overdraft	\$ 298	\$ -	\$ -	\$ -	\$ 298
Accounts payable and accrued liabilities	66,139	12,025	10,536	127,468	216,168
Due to other governments	-	190,000	-	-	190,000
Due to other funds	700,469	-	44,622	50,439	795,530
Deferred revenue	-	727,282	30,709	26,179	784,170
Total liabilities	<u>766,906</u>	<u>929,307</u>	<u>85,867</u>	<u>204,086</u>	<u>1,986,166</u>
FUND BALANCES (DEFICITS)					
Unreserved, reported in:					
General fund	(751,999)	-	-	-	(751,999)
Special revenue funds	-	(243,253)	43,163	(188,081)	(388,171)
Total fund balances (deficits)	<u>(751,999)</u>	<u>(243,253)</u>	<u>43,163</u>	<u>(188,081)</u>	<u>(1,140,170)</u>
TOTAL LIABILITIES AND					
FUND BALANCES (DEFICITS)	\$ 14,907	\$ 686,054	\$ 129,030	\$ 16,005	\$ 845,996

The accompanying notes are an integral part of the financial statements.

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
June 30, 2009**

Total fund deficit - governmental funds (page 45) \$ (1,140,170)

Amounts reported for governmental activities in the
Statement of Net Assets are different because:

Capital assets used in governmental activities are not
financial resources and, therefore, are not reported
in the funds. 21,089

Receivables not collected within 60 days of year end are
not available soon enough to pay for the current
period's expenditures and, therefore, are deferred in
the funds. 30,709

Net assets of governmental activities (page 43) \$ (1,088,372)

The accompanying notes are an integral part of the financial statements.

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009**

	<u>General Fund</u>	<u>Institute Fund</u>	<u>Education Fund</u>	<u>Other Nonmajor Funds</u>	<u>Total Governmental Funds</u>
REVENUES:					
Local sources	\$ -	\$ 570,729	\$ 10,000	\$ 167,418	\$ 748,147
State sources	756,270	-	62,291	16,047	834,608
Federal sources	-	-	100,000	-	100,000
On-behalf payments	392,653	-	-	-	392,653
Total revenues	<u>1,148,923</u>	<u>570,729</u>	<u>172,291</u>	<u>183,465</u>	<u>2,075,408</u>
EXPENDITURES:					
Education:					
Salaries and benefits	538,235	-	52,115	104,479	694,829
Purchased services	67,962	-	114,489	162,577	345,028
Supplies and materials	26,207	77	11,193	3,127	40,604
Payments to other governments	552,432	-	-	-	552,432
Other objects	-	6,996	-	-	6,996
State teachers' certification board	-	176,028	-	-	176,028
Capital outlay	31,421	-	2,400	10,254	44,075
Administrative:					
On-behalf payments	392,653	-	-	-	392,653
Total expenditures	<u>1,608,910</u>	<u>183,101</u>	<u>180,197</u>	<u>280,437</u>	<u>2,252,645</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	(459,987)	387,628	(7,906)	(96,972)	(177,237)
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	<u>(292,012)</u>	<u>(630,881)</u>	<u>51,069</u>	<u>(91,109)</u>	<u>(962,933)</u>
FUND BALANCES (DEFICITS), END OF YEAR	<u>\$ (751,999)</u>	<u>\$ (243,253)</u>	<u>\$ 43,163</u>	<u>\$ (188,081)</u>	<u>\$ (1,140,170)</u>

The accompanying notes are an integral part of the financial statements.

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
GOVERNMENTAL FUNDS
Year Ended June 30, 2009**

Net change in fund balances (deficits) (page 47) \$ (177,237)

Amounts reported for governmental activities in the
Statement of Activities are different because:

Some receivables will not be collected for several
months after the fiscal year end, so they are
not considered as "available" revenues in the
governmental funds, and they are instead
counted as deferred revenues. They are,
however, recorded as revenues in the
Statement of Activities.

30,709

Change in net assets of governmental activities (page 44) \$ (146,528)

The accompanying notes are an integral part of the financial statements.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Suburban Cook County Regional Office of Education No. 14 was created to develop and maintain educational services for the school districts in Cook County, Illinois. The Suburban Cook County Regional Office of Education No. 14 services 697 public schools and 143 districts within the county (exclusive of District 299).

The functions of the Suburban Cook County Regional Office of Education No. 14 include, but are not limited to the following:

- Processing teachers' certificates
- Teaching initial and refresher classes for school bus drivers within Suburban Cook County Regional Office of Education No. 14
- Review life/safety requirements for schools in conjunction with the State of Illinois
- Issuing newsletters regarding new Illinois life/safety requirements
- Monitoring compliance with State laws and Department of Education policies and procedures
- Providing directions to teachers and school officials on science, art and teaching methods
- Implementing the State Board of Education's Policy Programs
- Encouraging camaraderie among teachers through the teachers' institute

Suburban Cook County Regional Office of Education No. 14 has no distributive fund since the State of Illinois maintains responsibility for the function of distributing state and federal aid to individual school districts.

The State of Illinois also maintains responsibility for the GED program, therefore, there is no GED fund.

The financial statements of the Suburban Cook County Regional Office of Education No. 14 have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The following is a summary of the significant accounting policies:

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity

For financial reporting purposes, Suburban Cook County Regional Office of Education No. 14 has included all funds, organizations, agencies, boards, commissions and authorities. Suburban Cook County Regional Office of Education No. 14 has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with Suburban Cook County Regional Office of Education No. 14 are such that exclusion would cause Suburban Cook County Regional Office of Education No. 14's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of Suburban Cook County Regional Office of Education No. 14 to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on Suburban Cook County Regional Office of Education No. 14. Suburban Cook County Regional Office of Education No. 14 has no component units which meet the Governmental Accounting Standards Board criteria.

Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the activities of Suburban Cook County Regional Office of Education No. 14. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities are normally supported by intergovernmental and local revenues.

The Statement of Net Assets presents Suburban Cook County Regional Office of Education No. 14's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for any debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational requirements of a particular function. Other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

Suburban Cook County Regional Office of Education No. 14 reports the following major governmental funds:

The General Fund is the operating fund of the Suburban Cook County Regional Office of Education No. 14. The General Fund accounts for all financial resources except those required to be accounted for in another fund.

The Institute Fund accounts for registration and renewal fees related to teachers' certificates. Funds collected from registration and renewal fees are expended to defray the costs incidental to teachers' institutes, conferences, and workshops. All funds are required by state statute to be restricted until expended only on the aforementioned activities.

Education Fund - Accounts for grant funds which are restricted as to their use except for those accounted for in the Supervisory Fund. Education grant funds include:

Substance Abuse and Violence Prevention Grant - to account for monies received for, and payment of, expenditures incurred in facilitating the Substance Abuse and Violence Prevention program.

Truant Alternative Grant - to account for grant monies received for, and payment of, expenditures incurred for after school programs to avoid truant behavior in children.

Cook County Learning Technology Center - to account for monies received for, and payment of, expenditures incurred to support technology applications throughout the Districts served.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

SES Monitoring - to account for monies received for, and payment of, expenditures for the evaluation of applications used for supplemental education services.

Illinois Terrorism Task Force - to account for monies received for, and payment of, expenditures to provide training designed to enhance the capacity of schools to plan for and manage critical incidents.

McKinney Homeless Grant - to account for monies received for, and payment of, expenditures that will coordinate enrollment, attendance, social and educational success of identified students in Suburban Cook County Schools.

Pre-School Monitoring - to account for funds received for, and payment of, expenditures relating to the Preschool for All program.

Spelling Bee - to account for funds received for, and payment of, expenditures relating to the Spelling Bee program.

Suburban Cook County Regional Office of Education No. 14 reports the following nonmajor governmental funds:

Directory - accounts for sales proceeds and costs of producing directories of all school buildings within the Suburban Cook County Regional Office of Education No. 14's jurisdiction.

Bus Driver - accounts for school bus drivers' permit fees which may be expended for school bus drivers' refresher courses.

Supervisory - accounts for State funding used to pay expenses for supervision of school districts within the Suburban Cook County Regional Office of Education No. 14's jurisdiction.

Fingerprinting - accounts for reimbursement from school districts to pay expenses of providing fingerprinting services.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by Suburban Cook County Regional Office of Education No. 14.

Suburban Cook County Regional Office of Education No. 14 records on-behalf payments made by the State for salaries to the Regional Superintendent and his assistants and for benefits to the Teachers' Retirement System as revenue and expenditures.

Suburban Cook County Regional Office of Education No. 14 recognizes teacher certificate registration fees for school years ending after June 30, 2009 as deferred revenue.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. Capital asset acquisitions are reported as expenditures in governmental funds.

Under the terms of grant agreements, Suburban Cook County Regional Office of Education No. 14 funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted funding sources available to finance the program. It is Suburban Cook County Regional Office of Education No. 14's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

Suburban Cook County Regional Office of Education No. 14 maintains its financial records on the cash basis. The financial statements of Suburban Cook County Regional Office of Education No. 14 are prepared by making memorandum adjusting entries to the cash basis financial records.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Liabilities, and Fund Equity

The following accounting policies are followed in preparing the balance sheet:

Cash and cash equivalents - The cash and cash equivalent balances of Suburban Cook County Regional Office of Education No. 14 are valued at cost.

All short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Capital assets - Capital assets, which include furniture and equipment, are reported in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives are not capitalized. Capital assets are defined by Suburban Cook County Regional Office of Education No. 14 as assets with an initial, individual cost in excess of \$500 and estimated useful lives in excess of two years. Capital assets are depreciated using the straight line method over 5-10 years.

The Suburban Cook County Regional Office of Education No. 14 reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of the carrying amount or fair value less costs to sell.

Deferred revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the revenue is not earned until a future period. Deferred revenue consists of teacher certificate registration fees for school years ending after June 30, 2009 and grant monies received after 60 days after fiscal year end.

Fund balance - In the governmental fund financial statements, reservations of fund balance are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Restricted net assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as supplementary information.

Suburban Cook County Regional Office of Education No. 14 did not formally adopt a budget for the year ended June 30, 2009 and is not legally required to do so. The Illinois State Board of Education requires budgets for certain State programs. These budgets were used to prepare statements of revenues, expenditures, and changes in fund balance - budget and actual for the following programs: General Fund and McKinney Homeless Grant.

NOTE 2 - CASH AND CASH EQUIVALENTS

The deposit and investment of monies is governed by the provisions of the Illinois Compiled Statutes.

Deposits

At June 30, 2009, the Regional Office of Education No. 14 had a bank overdraft book balance of \$298 and the bank balance was \$12,815.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, Suburban Cook County Regional Office of Education No. 14's deposits may not be returned. Suburban Cook County Regional Office of Education No. 14 does not have a deposit policy for custodial credit risk. As of June 30, 2009, all of Suburban Cook County Regional Office of Education No. 14's deposits were covered by FDIC insurance.

NOTE 3 - PENSIONS

Management employees are paid by the State of Illinois which includes provisions for pension costs. The Suburban Cook County Regional Office of Education No. 14 does not offer any post-retirement benefits to any of its employees. Therefore, no provision or funding for pension costs is required.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 4 - CAPITAL ASSETS

Capital assets activity for the year ended June 30, 2009 is as follows:

	Balance June 30, <u>2008</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, <u>2009</u>
Governmental activities:				
Furniture and equipment	\$ 69,584	\$ -	\$ -	\$ 69,584
Less accumulated depreciation	<u>48,495</u>	<u>-</u>	<u>-</u>	<u>48,495</u>
Total capital assets, net	<u>\$ 21,089</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,089</u>

Depreciation expense was charged as follows:

Governmental activities:

Education:

Depreciation expense

\$ -

NOTE 5 - DUE FROM/TO OTHER GOVERNMENTS

The detail of balances that are due from other governments at June 30, 2009 is as follows:

General Fund	
Due from Illinois State Board of Education	\$ 9,994
Education Fund	
Pre-School Monitoring	
Due from Regional Office of Education No. 27	30,709

The detail of balances that are due to other governments at June 30, 2009 is as follows:

Institute Fund	
Due to Cook County	\$ 190,000

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 6 - DUE FROM/TO OTHER FUNDS

The detail of balances of interfund receivables and payables at June 30, 2009 is as follows:

<u>Fund</u>	<u>Due From</u>	<u>Due To</u>
General Fund	\$ -	\$ 700,469
Institute Fund	686,054	-
Education Fund		
Substance Abuse and Violence Prevention Grant	1,001	-
Truant Alternative Grant	-	17,463
Cook County Learning Technology Center	3,000	-
SES Monitoring	-	2,965
Illinois Terrorism Task Force	3,117	-
McKinney Homeless Grant	89,972	-
Pre-School Monitoring	-	24,194
Spelling Bee	1,231	-
Other Nonmajor Funds		
Directory	11,155	-
Bus Driver	-	39,024
Supervisory	-	1,421
Fingerprinting	-	9,994
Totals	<u>\$ 795,530</u>	<u>\$ 795,530</u>

NOTE 7 - OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

Generally accepted accounting principles require disclosure as part of the combined financial statements of certain information concerning individual funds as follows:

The following funds had deficit fund balances at June 30, 2009:

General Fund	\$ (751,999)
Institute Fund	(243,253)
Education Fund	
Truant Alternative Grant	(17,463)
SES Monitoring	(2,965)
Pre-School Monitoring	(30,053)
Other Nonmajor Funds	
Bus Driver	(48,649)
Supervisory	(1,421)
Fingerprinting	(139,253)

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 8 - ON-BEHALF PAYMENTS

Salaries of the Regional Superintendent and his two assistants are paid by the State of Illinois. The State of Illinois and the respective employees also pay pension plan contributions associated with these salaries. The Suburban Cook County Regional Office of Education No. 14 pays all other salaries.

On-behalf payments are as follows:

Regional Superintendent - salary	\$ 103,235
Regional Superintendent - benefits	17,244
Assistant Regional Superintendents - salaries	247,763
Assistant Regional Superintendents - benefits	<u>24,411</u>
Total on-behalf payments	<u>\$ 392,653</u>

Salary and benefit data for the Regional Superintendent and Assistant Regional Superintendent was calculated based on data provided by the Illinois State Board of Education.

NOTE 9 - RELATED PARTIES

During the year, the Suburban Cook County Regional Office of Education No. 14 entered into several transactions with related parties. The note receivable balance in the General Fund at June 30, 2009 consists of amounts due from an employee for a cash advance and refunds owed to the Regional Office for previously issued unallowable payments to an employee.

NOTE 10 - RISK MANAGEMENT

Suburban Cook County Regional Office of Education No. 14 is exposed to various risks of loss related to torts, theft, damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. These risks are covered by the purchase of commercial insurance. Suburban Cook County Regional Office of Education No. 14 assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the year.

NOTE 11 - NEW PRONOUNCEMENTS

In 2009, Suburban Cook County Regional Office of Education No. 14 adopted Governmental Accounting Standards Board (GASB) Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*; GASB Statement No. 52, *Land and other Real Estate Held as Investment by Endowments*; GASB Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*; and GASB Statement No. 56, *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The Regional Office of Education No. 14 implemented these standards during the current year; however, there was no significant impact of the implementation of No. 49, 52, 55, and 56 on the financial statements.

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
NOTES TO FINANCIAL STATEMENTS
June 30, 2009

NOTE 12 - SUBSEQUENT EVENTS

The Regional Office of Education No. 14's last day of operations was June 30, 2010. The entity was dissolved as of July 1, 2010.

This information is an integral part of the accompanying financial statements.

OTHER SUPPLEMENTAL INFORMATION

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
 BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 Year Ended June 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES:				
State sources	\$ 671,713	\$ 671,713	\$ 756,270	\$ 84,557
On-behalf payments	-	-	392,653	392,653
Total revenues	<u>671,713</u>	<u>671,713</u>	<u>1,148,923</u>	<u>477,210</u>
EXPENDITURES:				
Education:				
Salaries and benefits	33,700	33,700	538,235	(504,535)
Purchased services	73,724	73,724	67,962	5,762
Supplies and materials	3,000	3,000	26,207	(23,207)
Payments to other governments	559,289	559,289	552,432	6,857
Capital outlay	2,000	2,000	31,421	(29,421)
On-behalf payments	-	-	392,653	(392,653)
Total expenditures	<u>671,713</u>	<u>671,713</u>	<u>1,608,910</u>	<u>(937,197)</u>
NET CHANGE IN FUND DEFICIT	<u>\$ -</u>	<u>\$ -</u>	(459,987)	<u>\$ (459,987)</u>
FUND DEFICIT, BEGINNING OF YEAR			<u>(292,012)</u>	
FUND DEFICIT, END OF YEAR			<u>\$ (751,999)</u>	

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
 COMBINING SCHEDULE OF ACCOUNTS
 EDUCATION FUND
 June 30, 2009

	<u>Substance Abuse and Violence Prevention Grant</u>	<u>Truant Alternative Grant</u>	<u>Cook County Learning Technology Center</u>	<u>SES Monitoring</u>
ASSETS				
Due from other governments	\$ -	\$ -	\$ -	\$ -
Due from other funds	1,001	-	3,000	-
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	\$ 1,001	\$ -	\$ 3,000	\$ -
LIABILITIES AND FUND BALANCES (DEFICITS)				
LIABILITIES				
Accounts payable and accrued liabilities	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	17,463	-	2,965
Deferred revenue	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	-	17,463	-	2,965
FUND BALANCES (DEFICITS)				
Fund balances (deficits), unreserved and undesignated	1,001	(17,463)	3,000	(2,965)
	<hr/>	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	\$ 1,001	\$ -	\$ 3,000	\$ -

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
COMBINING SCHEDULE OF ACCOUNTS
EDUCATION FUND
June 30, 2009

	<u>Illinois Terrorism Task Force</u>	<u>McKinney Homeless Grant</u>	<u>Pre-School Monitoring</u>	<u>Spelling Bee</u>	<u>Total</u>
ASSETS					
Due from other governments	\$ -	\$ -	\$ 30,709	\$ -	\$ 30,709
Due from other funds	<u>3,117</u>	<u>89,972</u>	<u>-</u>	<u>1,231</u>	<u>98,321</u>
TOTAL ASSETS	<u>\$ 3,117</u>	<u>\$ 89,972</u>	<u>\$ 30,709</u>	<u>\$ 1,231</u>	<u>\$ 129,030</u>
LIABILITIES AND FUND BALANCES (DEFICITS)					
LIABILITIES					
Accounts payable and accrued liabilities	\$ -	\$ 3,446	\$ 5,859	\$ 1,231	\$ 10,536
Due to other funds	-	-	24,194	-	44,622
Deferred revenue	-	-	30,709	-	30,709
Total liabilities	<u>-</u>	<u>3,446</u>	<u>60,762</u>	<u>1,231</u>	<u>85,867</u>
FUND BALANCES (DEFICITS)					
Fund balances (deficits), unreserved and undesignated	<u>3,117</u>	<u>86,526</u>	<u>(30,053)</u>	<u>-</u>	<u>43,163</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 3,117</u>	<u>\$ 89,972</u>	<u>\$ 30,709</u>	<u>\$ 1,231</u>	<u>\$ 129,030</u>

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
 COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES
 EDUCATION FUND ACCOUNTS
 Year Ended June 30, 2009**

	<u>Substance Abuse and Violence Prevention Grant</u>	<u>Truant Alternative Grant</u>	<u>Cook County Learning Technology Center</u>	<u>SES Monitoring</u>
REVENUES:				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
Total revenues	-	-	-	-
EXPENDITURES:				
Education:				
Salaries and benefits	-	19,796	-	-
Purchased services	-	-	-	-
Supplies and materials	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	19,796	-	-
NET CHANGE IN FUND BALANCES (DEFICITS)	-	(19,796)	-	-
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	1,001	2,333	3,000	(2,965)
FUND BALANCES (DEFICITS), END OF YEAR	\$ 1,001	\$ (17,463)	\$ 3,000	\$ (2,965)

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
COMBINING SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
EDUCATION FUND ACCOUNTS
Year Ended June 30, 2009**

	<u>Illinois Terrorism Task Force</u>	<u>McKinney Homeless Grant</u>	<u>Pre-School Monitoring</u>	<u>Spelling Bee</u>	<u>Total</u>
REVENUES:					
Local sources	\$ -	\$ -	\$ -	\$ 10,000	\$ 10,000
State sources	-	-	62,291	-	62,291
Federal sources	-	100,000	-	-	100,000
Total revenues	<u>-</u>	<u>100,000</u>	<u>62,291</u>	<u>10,000</u>	<u>172,291</u>
EXPENDITURES:					
Education:	-				
Salaries and benefits	-	17,000	12,419	2,900	52,115
Purchased services	-	36,214	76,000	2,275	114,489
Supplies and materials	-	1,788	4,580	4,825	11,193
Capital outlay	-	2,400	-	-	2,400
Total expenditures	<u>-</u>	<u>57,402</u>	<u>92,999</u>	<u>10,000</u>	<u>180,197</u>
NET CHANGE IN FUND BALANCES (DEFICITS)	-	42,598	(30,708)	-	(7,906)
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	<u>3,117</u>	<u>43,928</u>	<u>655</u>	<u>-</u>	<u>51,069</u>
FUND BALANCES (DEFICITS), END OF YEAR	<u>\$ 3,117</u>	<u>\$ 86,526</u>	<u>\$ (30,053)</u>	<u>\$ -</u>	<u>\$ 43,163</u>

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
 BUDGETARY COMPARISON SCHEDULE
 EDUCATION FUND ACCOUNTS
 Year Ended June 30, 2009**

McKinney Homeless Grant				
	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Amounts</u>	<u>Final Budget</u>
				<u>Favorable</u>
				<u>(Unfavorable)</u>
REVENUES:				
Federal sources	\$ 100,000	\$ 100,000	\$ 100,000	\$ -
EXPENDITURES:				
Education:				
Salaries and benefits	17,000	17,000	17,000	-
Purchased services	77,100	77,100	36,214	40,886
Supplies and materials	3,500	3,500	1,788	1,712
Capital outlay	2,400	2,400	2,400	-
Total expenditures	100,000	100,000	57,402	42,598
NET CHANGE IN FUND BALANCE	\$ -	\$ -	42,598	\$ 42,598
FUND BALANCE, BEGINNING OF YEAR			43,928	
FUND BALANCE, END OF YEAR			\$ 86,526	

SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2009

	<u>Directory</u>	<u>Bus Driver</u>	<u>Supervisory</u>	<u>Fingerprinting</u>	<u>Total</u>
ASSETS					
Inventory	\$ 4,850	\$ -	\$ -	\$ -	\$ 4,850
Due from other funds	<u>11,155</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,155</u>
TOTAL ASSETS	<u>\$ 16,005</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,005</u>
LIABILITIES AND FUND BALANCES (DEFICITS)					
LIABILITIES					
Accounts payable and accrued liabilities	\$ 14,763	\$ 9,625	\$ -	\$ 103,080	\$ 127,468
Due to other funds	-	39,024	1,421	9,994	50,439
Deferred revenue	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,179</u>	<u>26,179</u>
Total liabilities	14,763	48,649	1,421	139,253	204,086
FUND BALANCES (DEFICITS)					
Unreserved	<u>1,242</u>	<u>(48,649)</u>	<u>(1,421)</u>	<u>(139,253)</u>	<u>(188,081)</u>
TOTAL LIABILITIES AND FUND BALANCES (DEFICITS)	<u>\$ 16,005</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,005</u>

**SUBURBAN COOK COUNTY REGIONAL OFFICE OF EDUCATION NO. 14
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
 Year Ended June 30, 2009**

	<u>Directory</u>	<u>Bus Driver</u>	<u>Supervisory</u>	<u>Fingerprinting</u>	<u>Total</u>
REVENUES:					
Local sources	\$ 13,927	\$ 61,965	\$ -	\$ 91,526	\$ 167,418
State sources	<u>-</u>	<u>15,047</u>	<u>1,000</u>	<u>-</u>	<u>16,047</u>
Total revenues	<u>13,927</u>	<u>77,012</u>	<u>1,000</u>	<u>91,526</u>	<u>183,465</u>
EXPENDITURES:					
Education:					
Salaries and benefits	3,309	37,000	1,000	63,170	104,479
Purchased services	9,913	47,408	-	105,256	162,577
Supplies and materials	704	1,435	-	988	3,127
Capital outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,254</u>	<u>10,254</u>
Total expenditures	<u>13,926</u>	<u>85,843</u>	<u>1,000</u>	<u>179,668</u>	<u>280,437</u>
NET CHANGE IN FUND BALANCES (DEFICIT)	1	(8,831)	-	(88,142)	(96,972)
FUND BALANCES (DEFICITS), BEGINNING OF YEAR	<u>1,241</u>	<u>(39,818)</u>	<u>(1,421)</u>	<u>(51,111)</u>	<u>(91,109)</u>
FUND BALANCES (DEFICITS), END OF YEAR	<u>\$ 1,242</u>	<u>\$ (48,649)</u>	<u>\$ (1,421)</u>	<u>\$ (139,253)</u>	<u>\$ (188,081)</u>