



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #16
DEKALB COUNTY

FINANCIAL AUDIT
For the Year Ended: June 30, 2012

Release Date: August 21, 2013

Summary of Findings:

Total this audit:	1
Total last audit:	1
Repeated from last audit:	1

SYNOPSIS

- The Regional Office of Education #16 did not have sufficient internal controls over the financial reporting process.

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

REGIONAL OFFICE OF EDUCATION #16
DEKALB COUNTY

FINANCIAL AUDIT
For The Year Ended June 30, 2012

	FY 2012	FY 2011
TOTAL REVENUES	\$1,060,594	\$907,635
Local Sources	\$177,246	\$172,577
% of Total Revenues	16.71%	19.01%
State Sources	\$859,242	\$687,117
% of Total Revenues	81.02%	75.70%
Federal Sources	\$24,106	\$47,941
% of Total Revenues	2.27%	5.28%
TOTAL EXPENDITURES	\$1,021,461	\$881,023
Salaries and Benefits	\$430,388	\$398,315
% of Total Expenditures	42.13%	45.21%
Purchased Services	\$519,772	\$471,633
% of Total Expenditures	50.89%	53.53%
All Other Expenditures	\$71,301	\$11,075
% of Total Expenditures	6.98%	1.26%
TOTAL NET ASSETS	\$214,615	\$175,482
INVESTMENT IN CAPITAL ASSETS	\$0	\$0
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Gilbert E. Morrison, Jr. Currently: Honorable Amanda Christensen

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**CONTROLS OVER FINANCIAL STATEMENT
PREPARATION**

The Regional Office of Education #16 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #16 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

The Regional Office of Education #16 did not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the cash basis of accounting. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not have the ability to prepare accrual-basis financial reports and numerous adjustments were 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 accounts receivable or accounts payable.

According to Regional Office officials, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements. (Finding 12-1, pages 9-10) **This finding was first reported in 2007.**

The auditors recommended that, as part of internal control over the preparation of financial statements, including disclosures, the Regional Office of Education #16 should implement a comprehensive preparation and/or review procedure to ensure the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally

accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations.

The Regional Office of Education #16 responded that it has begun utilizing the DeKalb County Finance Office as a resource for additional support. The Regional Office has purchased an update of the accounting software program currently in use. The ROE noted that an independent accountant is also being used to set up the upgraded accounting software that will allow for internal preparation and review of financial statements. The Regional Office also stated that these procedures must be performed internally because the added expense of hiring properly trained individuals is cost prohibitive for a small entity such as the ROE. Funding for ROE services is extremely tight, and paying for a service such as was noted would take away from the funds available to provide educational services for the schools in the Region. The Regional Office responded that it will continue to do the best it can with the limited resources available. (For previous Regional Office response, see Digest Footnote #1.)

AUDITORS' OPINION

Our auditors state the Regional Office of Education #16's financial statements as of June 30, 2012 are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:KJM

AUDITORS ASSIGNED: Wipfli LLP were our special assistant auditors.

DIGEST FOOTNOTE

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

In its prior response in 2011, the Regional Office of Education #16 responded that it has engaged an accounting firm to prepare a program that allows for internal preparation and review of financial statements. These procedures must be performed internally because the added expense of hiring properly trained individuals is cost prohibitive for a small entity such as the ROE. The Regional Office noted that funding for ROE services is extremely tight, and paying

for a service such as was noted would take away from the funds available to provide educational services for schools in the Region. The Regional Office noted that it will continue to do the best it can with the limited resources available.