



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #17
DEWITT, LIVINGSTON, AND MCLEAN COUNTIES

**FINANCIAL AUDIT (In accordance with the Single
Audit Act and OMB Circular A-133)
For the Year Ended: June 30, 2010
Release Date: May 5, 2011**

Summary of Findings:
Total this audit: 3
Total last audit: 1
Repeated from last audit: 1

SYNOPSIS

- The Regional Office of Education #17 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #17 had inadequate controls in place to ensure that bank statements were reconciled to the related general ledger cash accounts.
- The Regional Office of Education # 17 did not properly account for ARRA expenditures separately from non-ARRA expenditures.

{Expenditures and Activity Measures are summarized on the reverse page.}

REGIONAL OFFICE OF EDUCATION #17
DEWITT, LIVINGSTON, AND MCLEAN COUNTIES

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

	FY 2010	FY 2009
TOTAL REVENUES	\$7,180,724	\$6,906,892
Local Sources	\$2,562,208	\$3,257,858
% of Total Revenues	35.68%	47.17%
State Sources	\$3,678,700	\$2,685,547
% of Total Revenues	51.23%	38.88%
Federal Sources	\$939,816	\$963,487
% of Total Revenues	13.09%	13.95%
TOTAL EXPENDITURES	\$6,548,954	\$6,617,757
Salaries and Benefits	\$3,489,105	\$3,395,048
% of Total Expenditures	53.28%	51.30%
Purchased Services	\$2,550,223	\$2,838,313
% of Total Expenditures	38.94%	42.89%
All Other Expenditures	\$509,626	\$384,396
% of Total Expenditures	7.78%	5.81%
TOTAL NET ASSETS	\$2,970,333	\$2,338,563
INVESTMENT IN CAPITAL ASSETS	\$508,323	\$569,914
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Mark Jontry
Currently: Honorable Mark Jontry

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #17 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #17 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 #17 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.

During their review of the Regional Office's accounting records, auditors noted that numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles. (Finding 10-1, pages 12-13) **This finding was first reported in 2007.**

The auditors recommended that, as part of its internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education #17 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's activities and operations.

The Regional Office of Education #17 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization this size. The Regional Office will continue to seek qualified professional accounting expertise in developing procedures that will satisfy the pronouncements in financial statement preparation.

The Regional Office noted that it will continue to provide training for staff in utilizing the full range of financial technology that currently exists. The Office will continue to utilize expert consultants to provide training in the preparation of financial statements. (For previous Regional Office response, see Digest Footnote #1.)

INADEQUATE CONTROLS OVER CASH

The Regional Office of Education #17 had inadequate controls in place to ensure that bank statements were reconciled to the related general ledger cash accounts.

The Regional Office of Education #17 had inadequate controls in place to ensure that bank statements were reconciled to the related general ledger cash accounts. Generally accepted accounting principles require that all cash in the custody of the Regional Office be recorded in the general ledger and that each month's bank statements be reconciled to the related general ledger account balance.

The Regional Office's ending adjusted general ledger balance for their operating cash account was not properly reconciled to the bank account. When balances are not reconciled, there is a risk of errors in the expenditures reported in the general ledger, and a risk of misuse or theft of funding. (Finding 10-2, page 14)

The auditors recommended that the Regional Office of Education #17's management should review each original bank reconciliation to the related general ledger account balances monthly to ensure the reconciliations are completed in a timely manner and that all reconciling items are reviewed with appropriate follow up. The bookkeeper should reconcile all activity that takes place in the account and track reconciling items to ensure proper treatment.

The Regional Office of Education #17 responded that it has implemented protocols to ensure that the cash is recorded in the general ledger on a daily basis and that monthly reconciliation will be completed in a timely manner.

INADEQUATE RECORDING OF AMERICAN RECOVERY AND REINVESTMENT ACT AWARDS

The Regional Office of Education #17 did not properly account for ARRA expenditures separately from non-ARRA expenditures.

The Regional Office of Education # 17 did not properly account for American Recovery and Reinvestment Act (ARRA) expenditures separately from non-ARRA expenditures.

The Regional Office is required to maintain records that adequately identify the source and application of ARRA awards. The OMB Circular A-102 Common Rule and OMB Circular A-110 require non-federal entities receiving federal awards to establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations,

and program compliance requirements. The objectives of internal control pertaining to the compliance requirements for federal programs are found in OMB Circular A-133.

At year end, it was noted that the ARRA fund accounts had expenditures recorded in excess of the grant award. According to the Regional Office of Education, the excess expenditures were to be transferred to a local fund and were not intended to be repaid by federal funds. Additionally, the Regional Office posted an adjusting entry near year end that moved some of the expenditures initially reported under ARRA, out of the fund. The Regional Office should have initially recorded ARRA expenditures up to the award amount in the ARRA fund accounts and charged the excess expenditures directly into local funds.

By posting both ARRA and non-ARRA expenditures to the ARRA fund, the actual expenditures incurred for the grant program are not easily identifiable and available for review. Additionally, there is a possibility that expenditures would be inaccurately reported to the granting agencies.

The Regional Office did not have proper procedures in place to ensure that only ARRA expenditures were recorded in the funds set up to track ARRA expenditures. (Finding 10-2, pages 15-16)

Auditors recommended that the Regional Office of Education #17 should ensure that only expenditures expected to be paid from ARRA monies are posted to ARRA funds. Additionally, auditors recommended that the Regional Office frequently review and reconcile the funds to ensure that all expenditures are properly posted.

The Regional Office of Education #17 responded that it has implemented procedures to ensure that all transactions are posted to the ledger and reconciled prior to reporting.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #17's financial statements as of June 30, 2010 are fairly presented in all material respects.

WILLIAM G. HOLLAND
Auditor General

WGH:KJM

AUDITORS ASSIGNED: Winkel, Parker & Foster, CPA PC were our special assistant auditors.

DIGEST FOOTNOTES

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

In its prior response in 2009, the Regional Office of Education #17 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office will continue to seek professional accounting expertise.

The Regional Office also noted that it will insure that staff with financial oversight is adequately trained to use the full range of current financial technology. Bookkeepers shall attend training conducted by expert consultant(s) in the preparation of financial statements as well as training conducted by IARSS consultants.