



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**  
**For the Year Ended: June 30, 2012**

**Release Date: July 11, 2013**

**Summary of Findings:**

<b>Total this audit:</b>	<b>6</b>
<b>Total last audit:</b>	<b>2</b>
<b>Repeated from last audit:</b>	<b>2</b>

**SYNOPSIS**

The Regional Office of Education #17:

- did not have sufficient internal controls over the financial reporting process;
- had inadequate internal controls over cash;
- had inadequate internal controls over capital assets;
- lacked formal policies for certain allowable expenses and travel reimbursements;
- had inadequate internal controls over disbursements; and
- had inadequate internal controls over payroll.

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

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

**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2012**

	<b>FY 2012</b>	<b>FY 2011</b>
<b>TOTAL REVENUES</b>	\$5,962,573	\$6,753,464
Local Sources	\$2,298,127	\$2,491,113
% of Total Revenues	38.54%	36.89%
State Sources	\$3,109,254	\$3,436,857
% of Total Revenues	52.15%	50.89%
Federal Sources	\$555,192	\$825,494
% of Total Revenues	9.31%	12.22%
<b>TOTAL EXPENDITURES</b>	\$5,768,788	\$6,454,451
Salaries and Benefits	\$3,345,880	\$3,745,812
% of Total Expenditures	58.00%	58.03%
Purchased Services	\$1,503,885	\$1,708,965
% of Total Expenditures	26.07%	26.48%
All Other Expenditures	\$919,023	\$999,674
% of Total Expenditures	15.93%	15.49%
<b>TOTAL NET ASSETS</b>	\$3,285,167	\$3,091,382
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$663,286	\$441,443
Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
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). The Regional Office's 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 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 its accounting records on the cash basis of accounting. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect and correct financial statement misstatements and disclosure omissions in a timely manner.

During their review of the Regional Office's accounting records, auditors noted numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles. The Regional Office of Education #17 did not have proper controls in place over the preparation of financial statements to ensure that they are presented in accordance with generally accepted accounting principles. (Finding 12-1, pages 10-11) **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 #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. (For previous Regional Office response, see Digest Footnote #1.)

#### **INADEQUATE INTERNAL CONTROLS OVER CASH**

**The Regional Office of Education #17 had inadequate internal controls over cash.**

Adequate internal controls over cash require all cash in the custody of the Regional Office of Education #17 be recorded in the general ledger and each month's bank statement be reconciled to the related general ledger account balance.

The Regional Office's ending adjusted general ledger balances for the distributive cash accounts were not properly reconciled to the bank accounts. When balances are not reconciled, there is a risk of errors in the expenditures reported in the general ledger, and of misuse or theft of funding.

The Regional Office of Education #17 has inadequate internal controls in place to ensure that bank statements are reconciled to the related general ledger cash accounts. (Finding 12-2, page 12) **This finding was first reported in 2010.**

The auditors recommended that the Regional Office of Education #17's management should review each bank reconciliation to its related general ledger account balances on a monthly basis to ensure the reconciliations are completed in a timely manner and that all reconciling items are reviewed with the 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 procedures to ensure that the bank reconciliations are completed on a monthly basis and reviewed in a timely manner to ensure control and accuracy. (For previous Regional Office response, see Digest Footnote #2.)

#### **INADEQUATE INTERNAL CONTROLS OVER CAPITAL ASSETS**

**The Regional Office of Education #17 did not have adequate internal controls over capital assets.**

The Regional Office of Education (ROE) Accounting Manual requires each Regional Office of Education 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 an inventory of all fixed assets and depreciation schedules for assets meeting the capitalization threshold for reporting be maintained.

An updated fixed asset listing was not properly maintained by the Regional Office during the year. The fixed asset listing that was provided to the auditors was inaccurate and incomplete. The listing included assets that were previously disposed of and excluded assets the Regional Office had in place and was currently utilizing. The information provided was unreliable and auditors were unable to obtain information to accurately reflect fixed assets maintained by the Regional Office.

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. The fixed asset listing was not accurately updated for purchases or disposals. (Finding 12-3, pages 13-14)

The auditors recommended that the Regional Office of Education #17 should adhere to the ROE 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 to ensure the accuracy and completeness of the listing.

The Regional Office of Education #17 responded that it has updated the fixed assets listing to correctly reflect current capital assets. The Regional Office noted that policy has been implemented to ensure adherence to the ROE Accounting Manual and maintain accuracy of the listing.

## **LACK OF FORMAL POLICIES**

### **The Regional Office of Education #17 did not have formal policies for certain allowable expenses and travel reimbursements.**

Adequate internal controls should ensure that expenses incurred by the Regional Office of Education #17 are adequately documented, incurred for a business purpose, and represent an economical and effective use of Regional Office of Education resources.

The Regional Office of Education #17 did not have formal policies in place addressing allowable expenses and travel reimbursements. Auditors noted the following during testing:

- The Regional Office of Education #17 reimbursed an employee for a lunch and mileage to and from the lunch destination without obtaining documentation to show business purpose.
- The Regional Office of Education #17 did not have a formal policy for paying per diem or actual cost reimbursement to employees while on travel status.

While the Regional Office of Education #17 had policies regarding cell phone use, it did not have formal policies in place regarding the purchase of cell phones, charges and reimbursements. Auditors noted the following when testing expenses:

- The Regional Office of Education #17 paid \$1,094 for cell phone purchases. This consisted of 2 cell phone purchases totaling \$850, accessories totaling \$165, and sales tax of \$79 (see finding 12-5). One of the cell phones purchased was over the \$500 threshold for capital asset purchases but was not included on the fixed asset listing provided to auditors.
- The Regional Office of Education #17 did not have a formal policy for cell phone reimbursements paid on behalf of employees. Some employees have their entire cell phone plan paid in full, some employees have texting reimbursed, and some employees have their calling plan reimbursed.
- The Regional Office of Education #17 did not have a formal policy for cell phone roaming charge reimbursements on behalf of employees. The Regional Office of Education #17 paid \$478 of roaming cell phone charges incurred by the Regional Superintendent while traveling out of the country.

The Regional Office Education #17 has established policies for teachers in the area to receive graduate credit assistance through a partnership with Lindenwood University. Additionally, the Regional Office of Education has established educational assistance policies in regards to Regional Office of Education #17 employees working under the Regional Alternative School program. However, the Regional Office did not have formal educational assistance policies in place for all other employees. Auditors noted the following during testing:

- The Regional Office of Education #17 paid tuition and general fees totaling \$10,690 to 2 employees before receiving documentation showing that the employees attended the classes and received passing grades. Neither of these employees were part of the partnership with Lindenwood University or the Regional Alternative School program.

The Regional Office of Education #17 did not have adequate formal policies in place to address employee reimbursements, travel expenses, cell phone purchases and charges, and educational assistance. (Finding 12-4, pages 15-17)

The auditors recommended that the Regional Office of Education #17 should establish:

- a formal policy for employee reimbursements and travel expenses outlining the allowable types and amounts of expenses that will be reimbursed and requiring that each transaction has adequate documentation showing the business purpose of the expense;
- a formal policy to control employee cell phone purchases, and charges and reimbursements. Additionally, all purchases of equipment over the capital asset threshold should be included on the fixed asset listing and returned to the Regional Office of Education upon employee termination; and
- a comprehensive policy for employee educational assistance that establishes employee eligibility requirements, the amount of monetary assistance to be provided, types of courses or programs that are considered appropriate for reimbursement, and the expected reimbursement period. This policy should include all types of employees employed through the Regional Office of Education #17.

The Regional Office of Education #17 responded that it has implemented a formal policy that addresses educational assistance for eligible employees, the amount and manner in which reimbursement is provided and for an established period of time. The Regional Office stated that it has implemented a formal policy outlining allowable cell phone reimbursements, expenses and eligible job classifications for cell phone procurement. The ROE also noted that reimbursement in the amount of \$478 has been made to the Regional Office of Education for roaming cell phone charges.

#### **INADEQUATE INTERNAL CONTROLS OVER DISBURSEMENTS**

**The Regional Office of Education #17 did not have adequate internal controls over disbursements.**

The Regional Office of Education #17 is responsible for establishing and maintaining an internal control system over disbursements to prevent errors or misuse of funds. Auditors noted the following weaknesses in the Regional Office of Education #17's internal control system:

- In 1 of 35 transactions tested, a payment was made on January 27, 2012 for consultant purchased services to be provided during the period of January 19, 2012 – April 18, 2012. It is the Regional Office of Education #17's policy to pay for services upon completion. The

listed transaction was paid prior to services being completed.

- In 2 of 35 transactions tested, alcoholic beverages were included in employee reimbursements of business meals.
- In 3 of 35 transactions tested, the Regional Office of Education #17 purchased gifts for Regional Office of Education staff. These included \$1,003 in gift card purchases for retirees, \$118 in candle holders and pillars, and \$73 for mums. No business purpose was documented with the purchases.
- In 1 of 35 transactions tested, a purchase order lacked a signed approval but was paid.
- The Regional Office of Education #17 paid sales taxes on several purchases. The Regional Office of Education is exempt from the payment of sales tax when the appropriate documentation is provided to vendors.

The Regional Office of Education #17 did not have adequate internal controls in place to detect and correct the items noted above. (Finding 12-5, pages 18-19)

The auditors recommended that the Regional Office of Education #17 should assure that a system of internal controls is maintained to control disbursements and prevent errors or misuse of funds.

The Regional Office of Education #17 responded that it has revised the system of internal controls to prevent errors in the disbursements of funds. The Regional Office stated that policy does presently dictate payment for services upon completion of delivery; policy has been amended to account for pre-payment requirements. The ROE also noted that it has existing policy excluding reimbursement for alcoholic beverages on business meals. Reimbursement has been made to the Regional Office for the alcoholic beverages in question. The Regional Office responded that internal controls have been amended to ensure appropriate exclusion of this reimbursement going forward as well as ensure that sales tax is exempted in appropriate purchase orders.

## **INADEQUATE INTERNAL CONTROLS OVER PAYROLL**

The Regional Office of Education #17 is responsible for establishing and maintaining an internal control system over payroll to prevent errors.

**The Regional Office of Education #17 did not have adequate internal controls over payroll.**



Auditors noted the following weaknesses in the Regional Office of Education #17's internal control system:

- Two part time employees did not have an approved contract showing rate of pay.
- In 1 of 30 transactions tested inconsistencies were noted for an employee's transactions. The employee's original contract was for a period covering 10/10/11 – 6/30/12 at an hourly rate of \$25. However, toward the end of the fiscal year the contract was amended to end as of 5/25/12. A new contract was established with the employee to serve in another position and covered a period of 6/25/12 – 7/31/12. This contract originally had the employee at a pay rate of \$25 per hour for 12 hours a week. This contract was later amended to reduce the pay rate to \$10 per hour and to increase the number of hours per week to 30 hours. Auditors inquired of the Regional Office personnel as to why the old contract was ended early and a new one initiated. Auditors also inquired as to why the hourly pay rate was reduced from \$25 per hour to \$10 per hour and why the number of hours per week was increased from 12 hours per week to 30 hours per week in the new contract. Regional Office officials responded that the new contract was for clerical work rather than a teaching position and therefore warranted a lower pay rate per hour and more hours per week. The Regional Office officials also stated they used the contract template for a full-time position and didn't make all the necessary revisions. The timesheet for the first period of the new contract included the original pay rate of \$25 per hour, listed 60 hours (for two weeks work) but was incorrectly totaled to 30 hours, and was not approved by management. The gross amount paid for the period was \$750.

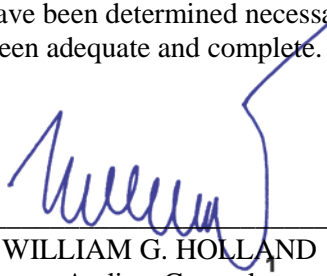
The Regional Office of Education #17 did not have adequate internal controls in place to detect or correct the items noted above. (Finding 12-6, pages 20-21)

The auditors recommended that the Regional Office of Education #17 should assure that a system of internal controls is maintained to control payroll disbursements and prevent errors.

The Regional Office of Education #17 responded that it has implemented revised payroll forms and procedures to ensure that accurate payroll expenditures are identified.

## AUDITORS' OPINION

Our auditors state the Regional Office of Education #17's financial statements as of June 30, 2012 are fairly presented in all material respects except for the effects of such adjustments, if any, as might have been determined necessary had records of capital assets been adequate and complete.



---

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 2011, 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.

### **#2: Inadequate Internal Controls Over Cash - Previous Regional Office Response**

In its prior response in 2011, 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. The Regional Office also noted that new personnel have been employed and trained in implementing procedures to reconcile on a monthly basis.