



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #19
DUPAGE COUNTY

FINANCIAL AUDIT
For the Year Ended: June 30, 2014

Release Date: November 10, 2015

FINDINGS THIS AUDIT: 2				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
Category 1:	<u>New</u> 0	<u>Repeat</u> 2	<u>Total</u> 2	2011	14-1		
Category 2:	0	0	0	2011	14-2		
Category 3:	0	0	0				
TOTAL	0	2	2				
FINDINGS LAST AUDIT: 4							

SYNOPSIS

- **(14-1)** The Regional Office of Education #19 did not have sufficient internal controls over the financial reporting process.
- **(14-2)** The Regional Office of Education #19 did not have adequate internal control procedures over its accounting function.

Category 1: Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).
Category 2: Findings that are **significant deficiencies** in internal control and/or **noncompliance** with State laws and regulations.
Category 3: Findings that have **no internal control issues but are in noncompliance** with federal and/or State laws and regulations.

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

REGIONAL OFFICE OF EDUCATION #19
DUPAGE COUNTY

FINANCIAL AUDIT
For The Year Ended June 30, 2014

	FY 2014	FY 2013
TOTAL REVENUES	\$7,972,813	\$8,575,538
Local Sources	\$3,750,287	\$3,334,788
% of Total Revenues	47.04%	38.89%
State Sources	\$3,968,802	\$4,202,133
% of Total Revenues	49.78%	49.00%
Federal Sources	\$253,724	\$1,038,617
% of Total Revenues	3.18%	12.11%
TOTAL EXPENDITURES	\$8,070,212	\$8,817,606
Salaries and Benefits	\$2,921,573	\$3,013,480
% of Total Expenditures	36.20%	34.18%
Purchased Services	\$1,950,487	\$1,767,431
% of Total Expenditures	24.17%	20.04%
All Other Expenditures	\$3,198,152	\$4,036,695
% of Total Expenditures	39.63%	45.78%
TOTAL NET POSITION	\$3,610,366	\$3,707,765
INVESTMENT IN CAPITAL ASSETS	\$230,948 ¹	\$294,763 ¹
¹ Capital asset amounts include debt associated with a capital lease. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Darlene Ruscitti Currently: Honorable Darlene Ruscitti

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #19 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #19 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, skills and experience 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 did not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on the cash basis of accounting during the fiscal year and posts year end accrual entries for audit purposes. The Regional Office did not have 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, review of the Regional Office's accounting records noted the Regional Office did not maintain adequate internal controls over the processing of all financial transactions and adjustments were required to present financial statements in accordance with generally accepted accounting principles.

According to Regional Office management, they did hire an independent audit firm to prepare the financial statements, but material adjustments were necessary due to the Regional Office's reporting mechanism not tracking expenditures accurately by fiscal year. (Finding 2014-001, pages 11-12)
This finding was first reported in 2011.

The auditors recommended that as part of its internal control over the preparation of financial statements, including disclosures, the Regional Office 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 an individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office's activities and operations.

The Regional Office of Education #19 responded that it will continue its relationship with a private Certified Public Accounting Company to prepare (GAAP based) financial statements that include all disclosures required by the Governmental Accounting Standards Board. The Regional Office stated that its Project Managers will play a key role because they will be responsible, along with the Finance Office, in the review of their respective financial documents. These reviews will be completed at the end of each quarter. In addition, the Regional Office's accounting personnel will receive training in detecting disclosure omissions and misstatements in a timely manner with the final review completed by the Business Manager. The Regional Office also stated that as of spring 2015 all of the audit adjustments for fiscal years 2011, 2012, 2013, and 2014 have been entered in the financial system. In addition, a review process for all payables and receivables within the financial system has been established. Furthermore, grants are reviewed on a quarterly basis with the project leaders and the Business Manager prior to any grant report being sent to ISBE. During fiscal year 2016, the Business Office is developing GASB reports which can be completed within the financial system. (For previous Regional Office response, see Digest Footnote #1.)

INADEQUATE INTERNAL CONTROL PROCEDURES

The Regional Office of Education #19 did not have adequate internal control procedures over its accounting function.

The Regional Office of Education #19 is required to maintain a system of controls over disbursements and reporting to prevent errors and fraud. The Regional Office had not established sufficient controls over its accounting functions. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not adhere to its policy of requiring the Regional Superintendent's approval of purchases. In 3 of 40 (7.5%) instances, purchase orders were not completed or signed by the Regional Superintendent.
- In 1 of 40 (2.5%) expenditures examined, the Regional Office failed to provide adequate supporting documentation.

According to Regional Office of Education #19 officials, Regional Office employees were not aware, at that time, what duties should be segregated to have a more effective process. (Finding 2014-002, pages 13-14) **This finding was first reported in 2011.**

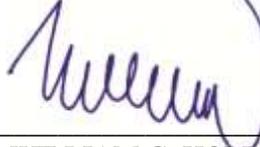
The auditors recommended that the Regional Office of Education #19 should implement a system of internal controls

that ensures expenditures are properly approved and supported before disbursements are made.

The Regional Office of Education #19 responded that it has completed a thorough review to accomplish the maximum segregation of duties possible with the two full time and two part time members in the Finance Office. Segregation of duties concerning cash receipts and accounting process occurred immediately after the FY11 audit became available to the Regional Office. Policy 4:50 concerning Purchase Orders, Process Steps, and Payment Procedures was written in June 2013 with implementation beginning July 2013. Beginning in the spring of 2014, the support staff of the financial systems for the general ledger program was provided the appropriate financial training in the on-line purchase order process so that purchase order approvals and processing can be done electronically. The online purchase order system with electronic signature approval at each level was fully operational by November 2014 thus eliminating the previous process for purchase orders. Once the system is fully operational, an updated policy will be written the fall of 2015. (For previous Regional Office response, see Digest Footnote #2.)

AUDITORS' OPINION

Our auditors state the Regional Office of Education #19's financial statements as of June 30, 2014 are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:KJM

AUDITORS ASSIGNED: Sikich LLP were our special assistant auditors.

DIGEST FOOTNOTES

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

The Regional Office of Education #19 responded that it will continue its relationship with a private Certified Public Accounting Company to prepare (GAAP based) financial statements that include all disclosures required by the Governmental Accounting Standards Board. The Regional Office stated that its Project Managers will play a key role because they will be responsible, along with the Finance Office, in the review of their respective financial documents. These reviews will be completed at the end of each

quarter. In addition, the Regional Office's accounting personnel will receive training in detecting disclosure omissions and misstatements in a timely manner with the final review completed by the Business Manager.

#2: Inadequate Internal Control Procedures-Previous Regional Office Response

The Regional Office of Education #19 responded that it has completed a thorough review to accomplish the maximum segregation of duties possible with the two full time and two part time members in the Finance Office. Segregation of duties concerning cash receipts and accounting process occurred immediately after the FY11 audit became available to the Regional Office. Policy 4:50 concerning Purchase Orders, Process Steps, and Payment Procedures was written in June 2013 with implementation beginning July 2013. Beginning later in the Fall of 2014, the support staff of the financial systems for the general ledger program will provide to the appropriate financial personnel the training in the on-line purchase order process so that purchase order approvals and processing can be done electronically. In order to streamline the procedure, the FileMaker process for Purchase Orders will no longer be used effective November 2014. Once the system is implemented and fully operational, an updated policy will be written the Spring of 2015.