



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

William G. Holland, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #20**  
**EDWARDS, HARDIN, GALLATIN, POPE, SALINE, WABASH, WAYNE AND**  
**WHITE COUNTIES**

**FINANCIAL AUDIT**  
**For the Year Ended: June 30, 2012**  
  
**Release Date: May 30, 2013**

**Summary of Findings:**  
**Total this audit: 3**  
**Total last audit: 3**  
**Repeated from last audit: 2**

**SYNOPSIS**

- The Regional Office's internal controls over the payroll process can be improved.
- The Regional Office did not have sufficient controls over financial statement preparation.
- The Regional Office used the Institute Fund to pay for an expenditure that was not authorized by statute.

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

**REGIONAL OFFICE OF EDUCATION #20**  
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**WHITE COUNTIES**

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

	<b>FY 2012</b>	<b>FY 2011</b>
<b>TOTAL REVENUES</b>	\$2,445,665	\$2,759,551
Local Sources	\$376,281	\$355,948
% of Total Revenues	15.39%	12.90%
State Sources	\$1,609,332	\$1,733,276
% of Total Revenues	65.80%	62.81%
Federal Sources	\$460,052	\$670,327
% of Total Revenues	18.81%	24.29%
<b>TOTAL EXPENDITURES</b>	\$2,511,335	\$2,793,133
Salaries and Benefits	\$1,864,980	\$2,011,824
% of Total Expenditures	74.26%	72.03%
Purchased Services	\$516,818	\$601,606
% of Total Expenditures	20.58%	21.54%
All Other Expenditures	\$129,537	\$179,703
% of Total Expenditures	5.16%	6.43%
<b>TOTAL NET ASSETS</b>	\$120,510	\$186,180
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$35,988	\$22,247
Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Lawrence Fillingim Currently: Honorable Lawrence Fillingim

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **INADEQUATE INTERNAL CONTROL OVER FINANCIAL PROCESSES**

The Regional Office of Education #20 did not have adequate internal control over financial processes. The Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system over payroll and general disbursement processes to prevent errors or fraud.

**For 5 of 40 employees tested, the annual salary and benefits being paid did not match the salary approved by the Regional Superintendent.**

Auditors noted the following weaknesses in the Regional Office's internal controls:

- The employee's annual salary and benefits being paid did not match the salary approved by the Regional Superintendent in 5 out of 40 (12.5%) individuals tested.
- One instance in which an insurance expense appears to have been incorrectly paid to a vendor twice. The first payment had an appropriate vendor invoice attached to the purchase order. The second payment had the formal quote showing the same insurance coverage, policy number and policy term dates as the vendor invoice that had already been paid.

The Regional Office of Education #20 did not have adequate controls in place over disbursements. Unauthorized payroll and changes in payroll rates could result in employees receiving incorrect payment for their services. Duplicate payment of invoices could result in funding shortages for budgeted items. (Finding 12-1, page 10a)

Auditors recommended that the Regional Superintendent should authorize, by signature and date, all changes in salary. This can be accomplished with a new contract or a pay increase authorization signed by the Regional Superintendent. The document showing approval should be maintained in the personnel file. The Regional Office of Education should follow its policy of only making payments from an appropriate vendor invoice and not from a statement or quote.

The Regional Office of Education #20 responded that as of July 1, 2012, a salary and benefits statement for each employee had been approved, signed, and dated by the Regional Superintendent. The Regional Office noted that this will reflect salaries and benefits for each employee, and any changes to an employee's salary or compensation throughout the year will be reflected in a similar document. The Regional Office stated that duplicate payment of this expense was an

oversight. The Regional Office of Education will continue to follow its policy of only paying vendors once an appropriate vendor invoice has been received.

## **CONTROLS OVER FINANCIAL STATEMENT PREPARATION**

### **The Regional Office of Education #20 did not have sufficient controls over financial statement preparation.**

The Regional Office of Education #20 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 #20 did not have sufficient internal controls over the financial reporting process. 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. In their review of the Regional Office's accounting records, auditors noted that:

- Numerous adjusting entries were required to present financial statements in accordance with generally accepted accounting principles.
- Receipts were not recorded as received, or periodically throughout the year; instead they were recorded subsequent to year end in preparation for the annual audit.
- The fixed asset listing incorrectly calculated beginning accumulated depreciation.

According to Regional Office officials, the bookkeeping staff does not enter receipts, receivables, payables, and fixed asset schedules until they prepare for the annual audit at year end which does not allow time for analysis and review before submission to the auditors. (Finding 12-2, pages 10b-10c)

The auditors recommended that, as part of internal control over the preparation of financial statements, including disclosures, the Regional Office of Education #20 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 #20 responded that as of July 1, 2012, it is recording receipts when received, instead of recording them in preparation for the annual year end audit. The Regional Office noted that it hired new fiscal staff as of August 1, 2012. The ROE stated that it has also implemented new accounting software with proper training for its employees. The Regional Office stated that this should address the issues of inadequate internal controls as well as help with the preparation of the financial statements on a timely basis.

### **CONTROLS OVER DISBURSEMENTS**

**The Regional Office used the Institute Fund to pay for an expenditure that was not authorized by statute.**

The Regional Office of Education #20 utilized the Institute Fund to purchase iPads as part of attending a seminar. Since the iPads were not used to promote the professional growth of teachers, the iPad purchases were not an allowable expense as described in the State statute (105 ILCS 5/3-12).

Auditors noted an expenditure for the Regional Superintendent and two Assistant Regional Superintendents to attend a seminar on methods of instructing teachers to use iPad devices. This expenditure, charged to the Institute Fund, also included the cost of purchasing an iPad device for each participant at a total cost of \$1,200.

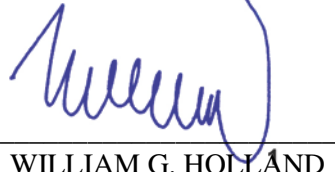
According to Regional Office officials, the Regional Office was unaware that this expenditure was not within the guidelines for an expenditure from the Institute Fund. (Finding 12-3, page 10d)

The auditors recommended the Regional Superintendent should review the State statute and use the Institute Fund for only those expenditures specifically identified as appropriate in the statute.

The Regional Office of Education #20 responded that the Regional Superintendent and the two Assistant Regional Superintendents have reviewed the State statute and updated their understanding of the use of the Institute Fund for only expenditures that are specified in the statute as appropriate.

**AUDITORS' OPINION**

Our auditors state the Regional Office of Education #20's financial statements as of June 30, 2012 are fairly presented in all material respects.

A handwritten signature in blue ink, appearing to read "William G. Holland", is written above a horizontal line.

WILLIAM G. HOLLAND  
Auditor General

WGH:JRB

AUDITORS ASSIGNED: Kemper CPA Group LLP were our special assistant auditors.