

REPORT DIGEST

REGIONAL OFFICE OF
EDUCATION #21

FRANKLIN/WILLIAMSON
COUNTIES

FINANCIAL AUDIT
(In accordance with the Single
Audit Act and OMB Circular
A-133)

For the Year Ended:
June 30, 2009

Summary of Findings:

Total this audit	2
Total last audit	3
Repeated from last audit	1

Release Date:
March 16, 2010



State of Illinois
Office of the Auditor General
WILLIAM G. HOLLAND
AUDITOR GENERAL

To obtain a copy of the Report contact:
Office of the Auditor General
Hes Park Plaza
740 E. Ash Street
Springfield, IL 62703
(217) 82-6046 or TTY (888) 261-2887

This Report Digest and Full Report are
also available on
the worldwide web at
<http://www.auditor.illinois.gov>

SYNOPSIS

- The Regional Office of Education #21 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #21 had instances where final 2009 expenditure reports did not agree with the general ledger.

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

REGIONAL OFFICE OF EDUCATION #21
FRANKLIN AND WILLIAMSON COUNTIES

FINANCIAL AUDIT
(In Accordance with the Single Audit Act and OMB Circular A-133)
For The Year Ended June 30, 2009

	FY 2009	FY 2008
TOTAL REVENUES	\$3,404,009	\$3,607,085
Local Sources	\$610,829	\$799,608
% of Total Revenues	17.94%	22.17%
State Sources	\$1,846,975	\$2,117,485
% of Total Revenues	54.26%	58.70%
Federal Sources	\$946,205	\$689,992
% of Total Revenues	27.80%	19.13%
TOTAL EXPENDITURES	\$3,346,764	\$3,413,472
Salaries and Benefits	\$2,194,531	\$2,156,879
% of Total Expenditures	65.57%	63.19%
Purchased Services	\$591,097	\$618,502
% of Total Expenditures	17.66%	18.12%
All Other Expenditures	\$561,136	\$638,091
% of Total Expenditures	16.77%	18.69%
TOTAL NET ASSETS	\$1,104,667	\$1,047,422
INVESTMENT IN CAPITAL ASSETS	\$99,077	\$91,152
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable R. Matthew Donkin Currently: Honorable R. Matthew Donkin

**FINDINGS, CONCLUSIONS AND
RECOMMENDATIONS**

**CONTROLS OVER FINANCIAL STATEMENT
PREPARATION**

The Regional Office of Education #21 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #21 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 #21 did not have sufficient internal controls over the financial reporting process. The Regional Office maintains their accounting records on the cash basis of accounting during the fiscal year and posts year end accrual entries for audit purposes. 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:

- 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 grants receivable and deferred revenues. While the Regional Office did make entries to record year-end accruals, they were not complete.
- The Regional Office did not post appropriate accruals for accrued wages for employees who elected to be paid over a 12 month period even

though their services to the Regional Office were complete by June 30, 2009.

During the fiscal year, the Regional Office hired personnel with accounting experience. With the wide range of accounting issues the Office deals with, they will require additional training to become proficient in the preparation and review of GAAP based financial statements and to ensure inclusion of all disclosures as required by the Governmental Accounting Standards Board (GASB). (Finding 09-01 pages 14-15) **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 #21 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 #21 responded that in its continuous effort to maintain controls over financial statement preparation, the ROE will follow its hiring of qualified personnel with the pursuit of continued training opportunities to improve its skills and efforts in meeting the requirements.

EXPENDITURE REPORTS DID NOT AGREE TO GENERAL LEDGER

The Regional Office of Education #21 had instances where final 2009 expenditure reports did not agree with the general ledger.

The Regional Office of Education #21 had instances where final 2009 expenditure reports did not agree with the general ledger. Expenditure reports for education programs submitted to the Illinois State Board of Education should agree with the expenditures reported on the Regional Office of Education #21's general ledger.

A comparison of expenditure reports to the Regional Office's unadjusted general ledger revealed instances

where the totals on the final expenditure reports submitted to the Illinois State Board of Education did not agree with the Regional Office unadjusted general ledger.

- The expenditure report for the ROE/ISC Operations program reported total expenditures of \$82,399, while the general ledger showed expenditures of \$82,312 (an \$87 difference).
- The McKinney Education for Homeless Children program reported expenditures of \$156,096, while the general ledger showed expenditures of \$149,402 (a \$6,694 difference).
- The State Fiscal Stabilization Fund – Education State Grants, Recovery Act program reported total expenditures (two separate project reports) of \$242,581 while the general ledger showed expenditures of \$164,442 (a \$78,139 difference).
- The 21st Century Community Learning Centers program reported employee benefit expenditures of \$21,322, while the general ledger showed employee benefit expenditures of \$20,838 (a \$484 difference).

Inaccurate expenditure reports were submitted, which could lead to granting agencies requesting incorrect reimbursements or adjusting the fiscal year 2010 grants erroneously. The Regional Office prepared the expenditure reports based on numbers that had not yet been adjusted for prior year and current year accruals. (Finding 09-02 pages 16-17)

Auditors recommended that the Regional Office of Education #21 should prepare the expenditure reports using expenditures per the general ledger after all adjustments have been made.

The Regional Office of Education #21 responded that on July 1, 2009, it submitted expenditure reports to the Illinois State Board of Education (ISBE) for the above listed programs. These reports were filed on the cash basis as they have always been filed, not considering prior year and current year accruals. The ROE noted that in an effort

to prepare the year-end financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles (GAAP), numerous journal entries were posted to the general ledger through August 31, 2009. The ROE noted that the posting of these entries resulted in the difference in the report.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #21's financial statements as of June 30, 2009 are fairly stated in all material respects.

WILLIAM G. HOLLAND, Auditor General

WGH:KJM

SPECIAL ASSISTANT AUDITORS

Our special assistant auditors were Sikich, LLP.

DIGEST FOOTNOTE

#1: CONTROLS OVER FINANCIAL STATEMENT PREPARATION – Previous Regional Office Response

In its prior response in 2008, the Regional Office of Education #21 responded that it will review, approve, and accept responsibility for the proposed audit adjustments and the financial statements and related notes. The Regional Office noted that it has hired an employee with an accounting degree with governmental accounting background to serve as accounting / internal control officer. It is believed that this will help to meet this requirement.