



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

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**REGIONAL OFFICE OF EDUCATION #24**  
**GRUNDY AND KENDALL COUNTIES**

**FINANCIAL AUDIT (In Accordance with the Single  
Audit Act and OMB Circular A-133)  
For the Year Ended: June 30, 2011  
Release Date: February 21, 2012**

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

**SYNOPSIS**

- The Regional Office of Education #24 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #24 did not have sufficient internal controls over the preparation of financial statements.

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

**REGIONAL OFFICE OF EDUCATION #24**  
**GRUNDY AND KENDALL COUNTIES**

**FINANCIAL AUDIT**

**(In Accordance with the Single Audit Act and OMB Circular A-133)**  
**For The Year Ended June 30, 2011**

	<b>FY 2011</b>	<b>FY 2010</b>
<b>TOTAL REVENUES</b>	\$4,627,720	\$5,536,149
Local Sources	\$316,973	\$384,275
% of Total Revenues	6.85%	6.94%
State Sources	\$3,341,528	\$3,924,799
% of Total Revenues	72.21%	70.89%
Federal Sources	\$969,219	\$1,227,075
% of Total Revenues	20.94%	22.16%
<b>TOTAL EXPENDITURES</b>	\$4,165,143	\$5,004,681
Salaries and Benefits	\$2,862,728	\$3,549,914
% of Total Expenditures	68.73%	70.93%
Purchased Services	\$750,604	\$700,861
% of Total Expenditures	18.02%	14.00%
All Other Expenditures	\$551,811	\$753,906
% of Total Expenditures	13.25%	15.06%
<b>TOTAL NET ASSETS</b>	\$1,491,186	\$1,028,609
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$46,969	\$57,810
Percentages may not add due to rounding.		

**REGIONAL SUPERINTENDENT**

During Audit Period: Honorable Paul Nordstrom  
Currently: Honorable Paul Nordstrom

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **INADEQUATE INTERNAL CONTROLS OVER FINANCIAL REPORTING**

**The Regional Office of Education #24 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #24 is required to maintain a system of controls over the financial reporting process to be able to initiate, authorize, record, process, and report financial data reliably in accordance with generally accepted accounting principles (GAAP).

The Regional Office did not have sufficient internal controls over the financial reporting process. Auditors noted the following deficiencies in internal control:

- There were inadequate controls over cash disbursements. The Regional Office had four signature stamps and one of the individuals responsible for printing checks had access to these stamps.
- The Regional Office maintains the general fund accounts in a different accounting software program than what is used by Education Service Network, Not for Profit, Inc. (ESN, NFP, Inc). ESN, NFP, Inc. is a blended component unit of the Regional Office that provides various educational services to the community. The accounting software program used for the general fund accounts at the Regional Office is not being maintained using separate accounts and the general ledger is not being closed at the end of the accounting period. Additionally, the accounts within each fund are not being properly classified as assets, liabilities, equity, revenues or expenses.
- The general fund maintains one checking account and there is no allocation of cash to each program/account.

Management or employees in the normal course of performing their assigned functions may not prevent or detect financial misstatements or possible fraudulent activity in a timely manner. The Regional Office also may not be in compliance with laws, regulations, and contract provisions. (Finding 11-1, pages 12a-12b)

The auditors noted that while the Regional Office has made some improvements in the segregation of the accounting responsibilities, there are areas that still need to be improved. The auditors recommended that all signature stamps should be kept in a secure location and access should be restricted to those who are independent of the cash disbursement process and that the cash account should be allocated among the

programs/accounts held within the general fund. The auditors also recommended that the Regional Office should use one accounting system to record the transactions of both the Regional Office and its blended component unit, ESN, NFP, Inc. The system used by ESN, NFP, Inc. is better equipped to handle fund accounting. If the Regional Office of Education chooses to continue to use its current accounting system, a separate file should be created for each program/account to ensure that each program and related expenses are segregated in the general ledger. Additionally, the accounting records need to be properly closed at the end of each fiscal year and each account should be properly classified as an asset, liability, equity, revenue or expense.

The Regional Office of Education #24 responded that the staff went to great lengths this past year to see that this situation was remedied. Regional Office staff locked up the stamps and had them located where the people writing checks did not have access to them. The ROE noted that unfortunately, the auditors found one more situation which had not occurred to the Regional Office. When the ROE secretary in Morris goes on vacation, the bookkeeper from the Yorkville office fills in as secretary, therefore having access to the signature stamp. The Regional Office noted that it has discussed having the stamp in the Regional Superintendent's office on days in which the Morris secretary is vacationing, therefore eliminating access to the stamp by the other person filling in.

The Regional Office noted that as recommended by the auditors, the ROE staff came to the conclusion that the ROE should convert all accounting records to the accounting software program being used by ESN, NFP, Inc. and then work within that system to meet all of the requests listed in these sections.

## **CONTROLS OVER FINANCIAL STATEMENT PREPARATION**

The Regional Office of Education #24 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 did not have sufficient internal controls over the financial reporting process. While the Regional Office maintains controls over the processing of some

**The Regional Office of Education #24 did not have sufficient internal controls over the preparation of financial statements.**

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 that numerous adjusting entries were required to present the financial statements in accordance with generally accepted accounting principles.

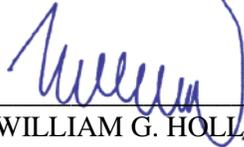
According to Regional Office officials, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements. (Finding 11-2, pages 12c-12d)

The auditors recommended that, as part of its internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education #24 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 #24 responded that the Regional Superintendent contacted a local accounting firm to handle this recommendation, but, in consultation with the auditing firm, was told that there would be no guarantee that this would not be a finding regardless. The Regional Office noted that it would likely be spending tax money for this service without any benefit. The ROE also noted that the decision was made to accept the finding.

**AUDITORS' OPINION**

Our auditors state the Regional Office of Education #24's financial statements as of June 30, 2011 are fairly presented in all material respects.

  
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WILLIAM G. HOLLAND  
Auditor General

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