

# REPORT DIGEST

## REGIONAL OFFICE OF EDUCATION #27

### HENDERSON, MERCER AND WARREN COUNTIES

#### FINANCIAL AUDIT

For the Year Ended:  
June 30, 2009

#### Summary of Findings:

|                          |   |
|--------------------------|---|
| Total this audit         | 2 |
| Total last audit         | 2 |
| Repeated from last audit | 2 |

Release Date:  
March 3, 2010



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

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## SYNOPSIS

- The Regional Office of Education #27 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #27 did not disburse to other funds some of the monies it received into the Distributive Fund.

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

**REGIONAL OFFICE OF EDUCATION #27**  
**HENDERSON, MERCER AND WARREN COUNTIES**

**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2009**

|  | <b>FY 2009</b> | <b>FY 2008</b> |
|--|----------------|----------------|
| <b>TOTAL REVENUES</b>                    | \$2,263,244    | \$2,406,025    |
| Local Sources                            | \$526,148      | \$586,815      |
| % of Total Revenues                      | 23.25%         | 24.39%         |
| State Sources                            | \$1,583,793    | \$1,755,836    |
| % of Total Revenues                      | 69.98%         | 72.98%         |
| Federal Sources                          | \$153,303      | \$63,374       |
| % of Total Revenues                      | 6.77%          | 2.63%          |
|  |                |                |
| <b>TOTAL EXPENDITURES</b>                | \$2,231,264    | \$2,308,967    |
| Salaries and Benefits                    | \$1,170,306    | \$1,170,643    |
| % of Total Expenditures                  | 52.45%         | 50.70%         |
| Purchased Services                       | \$397,720      | \$336,728      |
| % of Total Expenditures                  | 17.82%         | 14.58%         |
| All Other Expenditures                   | \$663,238      | \$801,596      |
| % of Total Expenditures                  | 29.72%         | 34.72%         |
|  |                |                |
| <b>TOTAL NET ASSETS</b>                  | \$403,547      | \$371,567      |
|  |                |                |
| <b>INVESTMENT IN CAPITAL ASSETS</b>      | \$0            | \$0            |
| Percentages may not add due to rounding. |                |                |

| <b>REGIONAL SUPERINTENDENT</b>   |
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| During Audit Period: Honorable Jodi L. Scott<br>Currently: Honorable Jodi L. Scott |

## FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

### CONTROLS OVER FINANCIAL STATEMENT PREPARATION

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**The Regional Office of Education #27 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #27 is required to maintain a system of controls over the preparation of financial statements, including disclosures, in accordance with generally accepted accounting principles (GAAP). The ROE 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 #27 did not have sufficient internal controls over the financial reporting process. The Regional Office maintains their 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 financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the ROE's accounting records, noted the following:

- The ROE did not maintain adequate controls over the financial reporting process and numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.
- The ROE did not maintain records of accounts receivable, accounts payable, or deferred revenues.
- The ROE main office and Progressive Alternative Secondary School (PASS) maintain their own separate set of books and there is a lack of communication between the two locations. There

is no combining of the two sets of books until fiscal year-end.

According to ROE officials, they did not have adequate funding to hire and/or train their accounting personnel in order to maintain a system of internal control over the preparation of financial statements in accordance with GAAP. (Finding 09-1, pages 10-11) **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 #27 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 #27 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office management is currently confident with the abilities of the accounting staff to prepare cash basis financial information as needed throughout the year. Management will review year end reporting controls annually and investigate the cost of training staff to reach an appropriate level of expertise to do a comprehensive preparation and/or review of financial statements. Management will pursue additional training when it is considered cost beneficial since training costs would take away from the funds available to provide educational services for the schools in the region. (For previous Regional Office response, see Digest Footnote #1.)

#### **INADEQUATE CONTROLS OVER THE DISTRIBUTIVE ACCOUNT**

The Regional Office of Education #27 did not disburse to other entities or funds some of the monies it

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**The Regional Office of Education #27 did not disburse to other funds some of the monies it received into the Distributive Fund.**

received into the Distributive Fund. The ROE Accounting Manual states that distributive monies are those that flow from the Illinois State Board of Education (ISBE) to the ROE to be disbursed for use by other entities and/or ROE programs. Distributed monies only include State and federal funds. Use of the Distributive Fund should be limited to accounting for the inflow and outflow of funds held in an agency capacity for other entities and/or funds.

As of June 30, 2008, there was a total of \$39,546 that was received into the Distributive account, but not disbursed to the appropriate fund. During the year ended June 30, 2009, the ROE distributed \$32,174 of this amount, leaving \$7,372 still to be disbursed. Due to the ROE's previous practice of paying various purchased services out of the Distributive account, there were no longer monies available in the Distributive account to disburse the remaining \$7,372 received in prior years. These purchased services should have been paid with monies from the General Fund; therefore, the General fund owes \$7,372 to the respective funds.

Adjustments were necessary to make the financial statements for fiscal year 2009 properly reflect the activity of the ROE. Entries totaling \$7,372 were required to reflect amounts due to other funds.

The Regional Office lacked internal controls over the Distributive account and therefore monies that were received were not immediately disbursed. (Finding 09-2, pages 12-13)

The auditors recommended that the Regional Office of Education #27 should develop internal control procedures to ensure that all monies received into the Distributive Fund are immediately disbursed to the appropriate entity or fund.

The Regional Office of Education #27 responded that all funds have been distributed to the appropriate accounts or agency at this time. They noted that the ROE now has internal controls in place to ensure that all monies received into the Distributive account are disbursed in a timely manner.

## **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #27's financial statements as of June 30, 2009 are fairly presented in all material respects.

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WILLIAM G. HOLLAND, Auditor General

WGH:KJM

## **SPECIAL ASSISTANT AUDITORS**

Our special assistant auditors were Sulaski & Webb CPAs.

## **DIGEST FOOTNOTES**

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

In its prior response in 2008, the Regional Office of Education #27 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office management is currently confident with the abilities of the accounting staff to prepare cash basis financial information as needed for reporting throughout the year. Management will review year end reporting controls annually and investigate the cost of training staff to reach an appropriate level of expertise to do a comprehensive preparation and/or review of financial statements. Management will pursue additional training when it is considered cost beneficial since training costs would take away from the funds available to provide educational services for the schools in the region.