



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 #31**  
**KANE COUNTY**

**FINANCIAL AUDIT (In accordance with the Single  
Audit Act and OMB Circular A-133)  
For the Year Ended: June 30, 2011  
Release Date: July 10, 2012**

**Summary of Findings:**  
**Total this audit: 2**  
**Total last audit: 2**  
**Repeated from last audit: 1**

**SYNOPSIS**

- The Regional Office of Education #31 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #31 did not have an accurate expenditure report.

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

**REGIONAL OFFICE OF EDUCATION #31**  
**KANE COUNTY**

**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>	\$5,418,734	\$5,119,337
Local Sources	\$1,106,274	\$688,814
% of Total Revenues	20.42%	13.46%
State Sources	\$2,782,893	\$3,278,598
% of Total Revenues	51.36%	64.04%
Federal Sources	\$1,529,567	\$1,151,925
% of Total Revenues	28.23%	22.50%
<b>TOTAL EXPENDITURES</b>	\$4,338,976	\$4,285,354
Salaries and Benefits	\$2,010,266	\$2,043,231
% of Total Expenditures	46.33%	47.68%
Purchased Services	\$1,398,999	\$1,172,418
% of Total Expenditures	32.24%	27.36%
All Other Expenditures	\$929,711	\$1,069,705
% of Total Expenditures	21.43%	24.96%
<b>TOTAL NET ASSETS</b>	\$5,212,154 <sup>1</sup>	\$3,807,258
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$72,000 <sup>2</sup>	\$86,928 <sup>2</sup>
<sup>1</sup> Includes a \$325,138 restatement to the FY 2011 beginning net asset balance to recognize additional FY 2010 revenue for the Youth Home Education program. <sup>2</sup> Capital asset amounts include debt associated with a capital lease. Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Douglas Johnson Currently: Honorable Patricia Dal Santo

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **CONTROLS OVER FINANCIAL STATEMENT PREPARATION**

**The Regional Office of Education #31 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #31 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 #31 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 and correct financial statement misstatements and disclosure omissions in a timely manner.

Auditors, in their review of the Regional Office's accounting records, noted numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles. Management did not effectively detect all the material adjustments needed in order to present financial statements in accordance with GAAP. (Finding 11-1, pages 12-13)

The auditors recommended that, as part of its internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education #31 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's activities and operations.

The Regional Office of Education #31 responded that the Finance Office under the direction of the Financial Director will be responsible to provide accurate and complete financial statements. The Regional Office noted that working with the ROE Superintendent and appropriate personnel, a regular and

ongoing review of financial statements will be conducted periodically during each fiscal year. The ROE noted that the goal will be to insure that financial statements are accurate and completed on a timely basis. Grant Managers and Project Managers will be involved in the review of their respective financial documents. The Regional Office noted that the audit will be scheduled at a time when the final fiscal year reports have been completed and reviewed by the appropriate staff and necessary materials prepared for auditors review. The Regional Office also noted that the appropriate Financial Office personnel, including the Financial Director, will be scheduled to receive training necessary to effectively incorporate GAAP into daily operations.

### **INACCURATE EXPENDITURE REPORT**

**The Regional Office of Education #31 did not have an accurate expenditure report.**

Amounts submitted on grant expenditure reports to the Illinois State Board of Education should be in agreement with the general ledger. The Regional Office of Education #31 did not report expenditures accurately for the ARRA-Title I School Improvement and Accountability grant program. The total amount reported was overstated on the ARRA-Title I School Improvement and Accountability grant program final expenditure report by \$99,144. There were not adequate internal controls over reporting to detect and correct a duplicate reporting of expenditures.

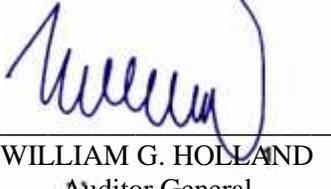
According to Regional Office officials, the Regional Office unintentionally included some of the June 30, 2011 payables twice in their final expenditure report. There were not adequate internal controls in place to prevent or detect and correct the error. (Finding 11-2, pages 14-15).

The auditors recommended that the Regional Office of Education #31 should review expenditure reports and their supporting documentation to ensure they are in agreement with the general ledger.

The Regional Office of Education #31 responded that the Financial Office will develop procedures with the goal of performing a monthly closing review of the General Ledger. The month-end bank statements will be compared to the General Ledger to insure current balances agree. The Regional Office noted that Grant and Project managers will be involved in a regular review of their respective areas of responsibility to insure revenue and expenditures have been recorded into the correct accounts and in the correct amounts. Supporting documentation including the appropriate authorizations will be required before entering data into the General Ledger. The Regional Office also noted that during the course of the 2013 fiscal year the Financial Office will work with the Superintendent of the ROE to develop procedures for the expenditure of funds which will include follow-up reviews on a regular basis.

**AUDITORS' OPINION**

Our auditors state the Regional Office of Education #31's financial statements as of June 30, 2011 are fairly presented in all material respects.



A handwritten signature in blue ink, appearing to read 'William G. Holland', is written over a horizontal line. The signature is stylized and cursive.

WILLIAM G. HOLLAND  
Auditor General

WGH:KJM

AUDITORS ASSIGNED: Winkel, Parker & Foster, CPA PC were our special assistant auditors.