



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, 2013  
Release Date: April 15, 2014**

**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 lacked formal policies and controls over procurement cards.

{ 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, 2013**

	<b>FY 2013</b>	<b>FY 2012</b>
<b>TOTAL REVENUES</b>	\$4,279,758	\$4,705,222
Local Sources	\$954,713	\$752,431
% of Total Revenues	22.31%	15.99%
State Sources	\$2,542,359	\$3,014,608
% of Total Revenues	59.40%	64.07%
Federal Sources	\$782,686	\$938,183
% of Total Revenues	18.29%	19.94%
<b>TOTAL EXPENDITURES</b>	\$3,568,168	\$3,836,905
Salaries and Benefits	\$2,367,890	\$2,312,018
% of Total Expenditures	66.36%	60.26%
Purchased Services	\$838,658	\$1,030,636
% of Total Expenditures	23.50%	26.86%
All Other Expenditures	\$361,620	\$494,251
% of Total Expenditures	10.13%	12.88%
<b>TOTAL NET POSITION</b>	\$6,792,061	\$6,080,471
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$ 18,837 <sup>1</sup>	\$93,728
<sup>1</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 Patricia Dal Santo 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, skills and experience to prepare GAAP based financial statements 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 were 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 of Education #31's financial information prepared by the Regional Office, noted that the Regional Office did not have adequate controls over the maintenance of records of cash, accounts receivable, accounts payable, and deferred revenue. While the Regional Office did maintain records to indicate the balances of cash, accounts receivable, accounts payable, and deferred revenue, material audit adjustments were proposed in order to ensure financial statement balances were materially accurate. (Finding 2013-001, pages 13-14) **This finding was first reported in 2010.**

The auditors recommended that, as part of internal control over the preparation of 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. These procedures should be performed by a properly trained individual 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 Business Office will provide to the Superintendent and Cabinet members regular and timely financial reports. These reports include but are not limited to grant reporting, bank reconciliations, monthly financial reporting, expense

comparisons, and any other report needed for discussion of the Regional Office's financial well-being. (For previous Regional Office response, see Digest Footnote #1.)

### **LACK OF FORMAL POLICIES AND CONTROLS OVER PROCUREMENT CARDS**

#### **The Regional Office of Education #31 lacked formal policies and controls over procurement cards.**

The Regional Office of Education #31 implemented the use of procurement cards during fiscal year 2013. The procurement cards operate like a credit card; however, they do not carry a revolving line of credit and must be paid in full each month. The use of procurement cards allows the Regional Office of Education #31 to customize purchase authority and spending levels. Adequate internal controls should ensure that expenses incurred by the Regional Office of Education #31 are adequately documented, approved by management, incurred for a business purpose and represent economical and effective use of Regional Office of Education #31's resources.

The Regional Office of Education #31 did not have a formal policy regarding the use of procurement cards. The Regional Office of Education #31 did not have adequate controls in place over procurement card purchases.

Auditors noted the following during testing procurement card purchases:

- 2 of 15 transactions tested did not have a detailed receipt for employee food purchases. A receipt was included; however, it did not detail the items purchased. One of these purchases also exceeded the allowable amount established by the Regional Office.
- Management's review and approval of the expenses on the monthly procurement card statements was not formally documented for all months the cards were in use.
- 4 of 15 transactions tested did not have a business purpose documented.

The procurement cards were newly implemented at the Regional Office of Education #31 during the fiscal year. The Regional Office had not yet established a formal policy or internal controls over the use of the procurement cards during the fiscal year. (Finding 2013-002, pages 15-16).

The auditors recommended that the Regional Office of Education #31 should establish a formal policy regarding the use of procurement cards, including requiring that each transaction has adequate documentation, management approval, and indication of the business purpose.

The Regional Office of Education #31 responded that the Business Office has established formal policies and

procedures regarding the use of procurement cards. Additionally, each procurement card monthly statement is reviewed and signed off by the Superintendent. The Regional Office stated that during the 2013 fiscal year, the purchasing card program was newly implemented and policy and procedures had not been formalized. Informal review and approval were occurring and formal policy and procedures were signed shortly after the fiscal year end.

### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #31's financial statements as of June 30, 2013 are fairly presented in all material respects.



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WILLIAM G. HOLLAND  
Auditor General

WGH:KJM

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

### **DIGEST FOOTNOTE**

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

In its prior response in 2012, the Regional Office of Education #31 responded that the Business Office will provide financial statements on a regular and ongoing basis to the Superintendent and all required regulatory agencies in a timely manner. Grant managers will be involved on a regular basis in the review of their respective grant expenditure reports and submissions to ISBE. The Regional Office stated that the new Finance Director is a CPA and will schedule training as necessary to best serve the ROE and the grants that support the ROE.