



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

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

**FINANCIAL AUDIT**  
**For the Year Ended: June 30, 2015**

**Release Date: April 21, 2016**

FINDINGS THIS AUDIT: 2				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since 2010	Category 1	Category 2	Category 3
	<u>New</u>	<u>Repeat</u>	<u>Total</u>				
<b>Category 1:</b>	<b>0</b>	<b>0</b>	<b>0</b>			<b>1</b>	
<b>Category 2:</b>	<b>1</b>	<b>1</b>	<b>2</b>				
<b>Category 3:</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>TOTAL</b>	<b>1</b>	<b>1</b>	<b>2</b>				
FINDINGS LAST AUDIT: 1							

**SYNOPSIS**

- **(15-1)** The Regional Office of Education #31 did not have sufficient internal controls over the financial reporting process.
- **(15-2)** The Regional Office of Education #31 did not have adequate controls in place over procurement card purchases.

<b>Category 1:</b>	Findings that are <b>material weaknesses</b> in internal control and/or a <b>qualification</b> on compliance with State laws and regulations (material noncompliance).
<b>Category 2:</b>	Findings that are <b>significant deficiencies</b> in internal control and/or <b>noncompliance</b> with State laws and regulations.
<b>Category 3:</b>	Findings that have <b>no internal control issues but are in noncompliance</b> with federal and/or State laws and regulations.

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

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

**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2015**

	<b>FY 2015</b>	<b>FY 2014</b>
<b>TOTAL REVENUES</b>	\$4,347,383	\$4,249,261
Local Sources	\$923,181	\$1,037,875
% of Total Revenues	21.24%	24.42%
State Sources	\$3,293,795	\$3,036,695
% of Total Revenues	75.77%	71.46%
Federal Sources	\$130,407	\$174,691
% of Total Revenues	3.00%	4.11%
<b>TOTAL EXPENDITURES</b>	\$4,161,239	\$4,004,402
Salaries and Benefits	\$2,014,299	\$2,213,629
% of Total Expenditures	48.41%	55.28%
Purchased Services	\$976,909	\$973,426
% of Total Expenditures	23.48%	24.31%
All Other Expenditures	\$1,170,031	\$817,347
% of Total Expenditures	28.12%	20.41%
<b>TOTAL NET POSITION</b>	\$7,576,682 <sup>1</sup>	\$7,036,920
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$34,805 <sup>2</sup>	\$73,338
<sup>1</sup> The FY 2015 beginning net position was restated by a total of \$353,618 due to prior period adjustments for the new reporting requirements for pension and for a change in the other postemployment benefit liability. <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 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). The Regional Office's 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.

During review of the Regional Office of Education #31's financial information prepared by the Regional Office, auditors noted that the Regional Office did not have adequate controls over the maintenance of records of accounts receivable, due from other governments, due to other governments and unavailable revenue. While the Regional Office did maintain records to indicate the balances of accounts receivable, due from other governments, due to other governments, and unavailable revenue, audit adjustments were proposed in order to ensure financial statement balances were accurate.

Regional Office of Education #31 management did not effectively detect all of the adjustments needed in order to present financial statements in accordance with GAAP in a timely manner. (Finding 2015-001, pages 11-12) **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 regular and timely financial reports which include but are not limited to grant reporting, bank reconciliations, monthly financial reporting, and any other report needed for discussion of the Regional Office's financial well-being. (For previous Regional Office response, see Digest Footnote #1 shown at the end of the digest.)

### **CONTROLS OVER PROCUREMENT CARDS**

#### **The Regional Office of Education #31 did not have adequate controls in place over procurement card purchases.**

The Regional Office of Education No. 31 provides procurement cards for use to various Regional Office employees. 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. Additionally, the use of procurement cards allows the Regional Office to customize purchase authority and spending levels. Adequate internal controls should ensure that expenses incurred by the Regional Office of Education No. 31 are adequately documented, approved by management, incurred for a business purpose and represent economical and effective use of Regional Office No. 31's resources. The Regional Office has established a formal procurement card policy, an individual procurement card user agreement, and procurement card guidelines. These documents clearly indicate personal purchases are not allowed and require employees to provide supporting documents for procurement card purchases within five business days following the receipt of the monthly procurement card statement.

The Regional Office of Education No. 31 did not have adequate controls in place over procurement card purchases. An employee of the Regional Office made personal purchases totaling \$8,670 on a procurement card during the months of July through December of 2014. The Regional Office of Education No. 31 subsequently reviewed those purchases, requested supporting documentation, tabulated a list of personal purchases and invoiced the employee in January of 2015. Although the employee repaid personal purchase as invoiced by the Regional Office, adequate controls were not in place to ensure supporting documentation was collected in accordance with the Regional Office's policy and to ensure personal purchases were not made on the procurement card.

Although the Regional Office of Education's policy is for employees to provide supporting documents for procurement card purchases within five business days following the receipt of the monthly procurement card statement, the Regional Office of Education No. 31 was not promptly provided with supporting documents for procurement card purchases and personal purchases were incurred during a six month period. (Finding 2015-002, pages 13-14)

The auditor recommended that the Regional Office of Education No. 31 should ensure timely review of procurement card purchases, including review to ensure that each transaction has adequate documentation, management approval, and indication of the business purpose. The Regional Office should consider suspending or cancelling cardholder privileges if appropriate documentation is not received in accordance with Regional Office of Education No. 31's policy to ensure improper purchases are not occurring over a significant time period.

The Regional Office of Education No. 31 responded that the policy does require timely submission of procurement card purchases, and reviews said submissions to ensure that each transaction has provided documentation and indication of the business purpose for adequate management approval. The Regional Office will consider suspending cardholder privileges if warranted to ensure improper purchases are not occurring over a significant time period.

#### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #31's financial statements as of June 30, 2015 are fairly presented in all material respects.

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

FJM: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 2014, 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.

