



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #38
LOGAN/MASON/MENARD COUNTIES

FINANCIAL AUDIT
For the Year Ended: June 30, 2010

Release Date: August 18, 2011

Summary of Findings:

| | |
|----------------------------------|----------|
| Total this audit: | 1 |
| Total last audit: | 2 |
| Repeated from last audit: | 1 |

SYNOPSIS

- The Regional Office of Education #38 did not have sufficient internal controls over the financial reporting process.

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

REGIONAL OFFICE OF EDUCATION #38
LOGAN/MASON/MENARD COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2010

| | FY 2010 | FY 2009 |
|--|----------------|----------------|
| TOTAL REVENUES | \$565,295 | \$447,879 |
| Local Sources | \$162,575 | \$141,460 |
| % of Total Revenues | 28.76% | 31.58% |
| State Sources | \$391,424 | \$295,229 |
| % of Total Revenues | 69.24% | 65.92% |
| Federal Sources | \$11,296 | \$11,190 |
| % of Total Revenues | 2.00% | 2.50% |
| TOTAL EXPENDITURES | \$498,438 | \$455,799 |
| Salaries and Benefits | \$422,661 | \$393,355 |
| % of Total Expenditures | 84.80% | 86.30% |
| Purchased Services | \$46,663 | \$38,456 |
| % of Total Expenditures | 9.36% | 8.44% |
| All Other Expenditures | \$29,114 | \$23,988 |
| % of Total Expenditures | 5.84% | 5.26% |
| TOTAL NET ASSETS | \$223,637 | \$156,780 |
| INVESTMENT IN CAPITAL ASSETS | \$25,101 | \$7,071 |
| Percentages may not add due to rounding. | | |

| REGIONAL SUPERINTENDENT |
|--|
| During Audit Period: Honorable Jean Anderson |
| Currently: Honorable Jean Anderson |

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

INTERNAL CONTROL OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #38 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #38 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 #38 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.

In their review of the Regional Office's accounting records, auditors noted that numerous adjustments were required to present financial statements in accordance with GAAP. In addition, the financial statements did not contain disclosures as required by GAAP.

Regional Office officials stated they were aware of their responsibility to properly prepare financial statements in accordance with GAAP and are taking steps to ensure they are prepared on a timely basis. (Finding 10-1, pages 12 and 13)
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 #38 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 #38 responded that it understands the nature of this finding and realizes the circumstance is not unusual in an organization of its size. 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. (For previous Regional Office response, see Digest Footnote #1.)

AUDITORS' OPINION

Our auditors state the Regional Office of Education #38's financial statements as of June 30, 2010 are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:JRB

AUDITORS ASSIGNED: Kyle E. McGinnis was our special assistant auditor.

DIGEST FOOTNOTES

#1: Internal Control Over Financial Statement Preparation - Previous Regional Office Response

In its prior response in 2009, the Regional Office of Education #38 responded that it understands the nature of this finding and realizes the circumstance is not unusual in an organization of its size. 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.

