



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

William G. Holland, Auditor General

**SUMMARY REPORT DIGEST**

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

**FINANCIAL AUDIT**  
**For the Year Ended: June 30, 2011**

**Release Date: June 7, 2012**

**Summary of Findings:**

<b>Total this audit:</b>	<b>1</b>
<b>Total last audit:</b>	<b>1</b>
<b>Repeated from last audit:</b>	<b>1</b>

**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, 2011**

	<b>FY 2011</b>	<b>FY 2010</b>
<b>TOTAL REVENUES</b>	\$475,617	\$565,295
Local Sources	\$146,797	\$162,575
% of Total Revenues	30.86%	28.76%
State Sources	\$317,530	\$391,424
% of Total Revenues	66.76%	69.24%
Federal Sources	\$11,290	\$11,296
% of Total Revenues	2.37%	2.00%
<b>TOTAL EXPENDITURES</b>	\$504,400	\$498,438
Salaries and Benefits	\$422,782	\$422,661
% of Total Expenditures	83.82%	84.80%
Purchased Services	\$32,774	\$46,663
% of Total Expenditures	6.50%	9.36%
All Other Expenditures	\$48,844	\$29,114
% of Total Expenditures	9.68%	5.84%
<b>TOTAL NET ASSETS</b>	\$194,854	\$223,637
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$22,274	\$25,101
Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
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 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 11-1, pages 10 and 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 #38 should implement a comprehensive preparation and/or review procedure to ensure 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 GAAP, 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 that this circumstance is not unusual in an organization of this 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, 2011 are fairly presented in all material respects.



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WILLIAM G. HOLLAND  
Auditor General

WGH:JRB

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

### **DIGEST FOOTNOTES**

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

In its prior response in 2010, 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.