



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 #40**  
**CALHOUN/GREENE/JERSEY/MACOU PIN COUNTIES**

**FINANCIAL AUDIT**  
**For the Year Ended: June 30, 2013**

**Release Date: July 10, 2014**

**Summary of Findings:**

<b>Total this audit:</b>	<b>2</b>
<b>Total last audit:</b>	<b>3</b>
<b>Repeated from last audit:</b>	<b>2</b>

**SYNOPSIS**

- The Regional Office of Education #40 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #40 had ineffective internal control procedures.

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

**REGIONAL OFFICE OF EDUCATION #40**  
**CALHOUN/GREENE/JERSEY/MACOU PIN COUNTIES**

**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2013**

	<b>FY 2013</b>	<b>FY 2012</b>
<b>TOTAL REVENUES</b>	\$1,072,647	\$1,142,261
Local Sources	\$259,283	\$337,322
% of Total Revenues	24.17%	29.53%
State Sources	\$777,656	\$780,423
% of Total Revenues	72.50%	68.32%
Federal Sources	\$35,708	\$24,516
% of Total Revenues	3.33%	2.15%
<b>TOTAL EXPENDITURES</b>	\$1,222,425	\$1,113,007
Salaries and Benefits	\$924,715	\$827,877
% of Total Expenditures	75.65%	74.38%
Purchased Services	\$224,368	\$224,771
% of Total Expenditures	18.35%	20.19%
All Other Expenditures	\$73,342	\$60,359
% of Total Expenditures	6.00%	5.42%
<b>TOTAL NET POSITION</b>	\$342,906 <sup>1</sup>	\$502,652
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$32,817	\$35,116
<sup>1</sup> Beginning net position was restated due to the correction of an error and a reclassification of beginning fund balances by (\$9,968). Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Larry D. Pfeiffer Currently: Honorable Larry D. Pfeiffer

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

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

**The Regional Office of Education #40 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #40 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 #40 did not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on cash basis accounting during the fiscal year and posts year-end accrual entries for financial statement purposes. 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.

During review of the Regional Office's financial information prepared by the Regional Office, auditors noted the following:

- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unearned revenue. While the Regional Office did maintain records to indicate the balances of some accounts payable, accounts receivable, and unearned revenue, not all entries were provided to reconcile the Regional office's grant activity, such as posting grant receivables and unearned revenue.
- Several prior year proposed audit entries were either not correctly recorded or not correctly reversed, as necessary.
- Several adjustments were necessary to properly balance interfund receivables and payables and interfund transfers.

- An adjustment was necessary to net reimbursements against the related expenditures.
- An entry was made to transfer activity associated with the Math and Science grant out of a Proprietary Fund and into a separate Education Fund account.
- Two funds, which were previously recognized as Nonmajor Special Revenue accounts, were reclassified to Fiduciary Funds.

According to Regional Office management, they did not have adequate funding to hire a certified public accountant or other financial professionals with the appropriate training and expertise as full-time staff. (Finding 2013-001, pages 11a-11b) **This finding was first reported in 2007.**

The auditors recommended that, as part of internal control over the preparation of financial statements, the Regional Office of Education #40 should implement comprehensive preparation procedures to ensure that the financial statements are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of the Regional Office of Education #40's activities and operations.

The Regional Office of Education #40 responded that at this time the Regional Office cannot afford to hire an accountant to assist with financial statement preparation; however, fiscal personnel of the Regional Office will strive to do their best to prepare the financial statements in accordance with GAAP. (For previous Regional Office response, see Digest Footnote #1.)

#### **INEFFECTIVE INTERNAL CONTROL PROCEDURES**

The Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system over receipts and disbursements sufficient to prevent or detect errors and fraud. The following deficiencies in the design and implementation of the Regional Office of Education #40's internal control system were noted:

- There was no clear written policy regarding proper authorization for payment approval.
- Not all credit card request forms were approved by an individual other than the requestor. In one instance, the individual requesting a credit card payment was the same individual who approved the payment request.

**The Regional Office of Education #40 had ineffective internal control procedures.**

- Signed checks were returned to the check preparer.
- A sufficient review of the general fund bank reconciliation is not performed because the individual reviewing the form did not receive the complete reconciliation and supporting documentation. The bank reconciliations were not consistently reviewed on a monthly basis.
- Manual journal entries were not reviewed and approved by an individual with knowledge of the transaction.
- There was inconsistency in the maintenance of employee contracts. Two (2) employee contracts, out of 40, had only one of the required two signatures.

Lack of effective internal control procedures could result in unintentional or intentional errors or misappropriations of assets, in which the errors or fraud could be material to the financial statements and may not be detected in a timely manner by employees in the normal course of performing their assigned duties. The Regional Office has not effectively designed and implemented adequate internal control procedures. (Finding 2013-002, page 11c)

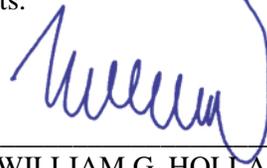
The auditors recommended the following:

- A clear written policy documenting who has authorization to approve payments should be made. The Payment Authorization Form should include separate signature lines for the requestor and the approver so these responsibilities can be clearly segregated.
- Signed checks should be provided to an individual independent of the check preparation process.
- The individual reviewing the bank reconciliation should be provided with the actual bank reconciliation and all supporting documentation, including the original bank statement with copies of canceled checks. This review should be consistently performed on a monthly basis.
- Manual journal entries should be reviewed and approved by an individual with knowledge of the transaction.
- Employee contracts, with salary information, should be obtained annually for all employees and be signed by both employee and management.

The Regional Office of Education #40 responded that it agrees with the finding and will make every effort to follow established internal controls. (For previous Regional Office response, see Digest Footnote #2.)

### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #40'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:JRB

AUDITORS ASSIGNED: Kemper CPA Group LLP were our special assistant auditors.

### **DIGEST FOOTNOTES**

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

In its prior response in 2012, the Regional Office of Education #40 responded that a financial consultant from Macoupin County will continue to assist the Regional Office during FY 2013 to help address this finding and will specifically review the items noted above.

#### **#2: Ineffective Internal Control Procedures - Previous Regional Office Response**

In its prior response in 2012, the Regional Office of Education #40 responded that it agrees with the finding and will make every effort to follow established internal controls.