



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 #43**  
**MARSHALL/PUTNAM/WOODFORD COUNTIES**

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

**Release Date: July 10, 2014**

**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 #43 did not have sufficient internal controls over the financial reporting process.

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



## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

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

**The Regional Office of Education #43 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #43 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 #43 did not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on the cash basis of accounting during the fiscal year. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of 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 of Education #43's financial information prepared by the Regional Office, auditors noted the following:

- The ROE 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 accounts receivable, accounts payable, and unearned revenue, not all entries were provided to reconcile the Regional Office's grant activity, such as posting grant receivables and unearned revenue.

According to Regional Office management, they did not have adequate funding to hire and/or train their accounting personnel in order to maintain a system of internal control over the preparation of financial statements in accordance with GAAP. (Finding 2013-001, pages 11-12) **This finding was first reported in 2007.**

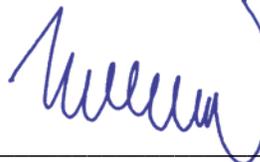
The auditors recommended that, as part of internal control over the preparation of financial statements, the Regional

Office of Education #43 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(s) possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of the Regional Office of Education #43's activities and operations.

The Regional Office of Education #43 responded that it understands the nature of this finding. The Regional Office noted that it does not have adequate funds to hire a person who possesses both a thorough understanding of the ROE's operations and activities as well as the knowledge and understanding of generally accepted accounting principles (GAAP) and GASB pronouncements that are needed to produce financial statements with disclosures. The ROE also stated that as it stands the Regional Office accepts the degree of risk associated with this condition as this circumstance is very common in organizations that are similar in size. In an attempt to improve this situation, the ROE will make a point to send staff to any State trainings that could help their employees better understand accrual basis accounting and reporting under GAAP. (For previous Regional Office response, see Digest Footnote #1.)

#### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #43'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: Sulaski & Webb, CPAs 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 #43 responded that it understands the nature of this finding. The Regional Office accepts the degree of risk associated with this condition as this circumstance is quite common in organizations that are similar in size to the ROE. The Regional Office noted that it does not have the funds to employ a person who possesses both a thorough understanding of the ROE's activities and operations and the knowledge and understanding of generally accepted accounting principles (GAAP) and GASB pronouncements needed to produce financial statements with disclosures. In an attempt to address this situation, the ROE will make it a point to send staff to any state trainings that can help them better understand accrual basis accounting and reporting under GAAP.