



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #46
BROWN/CASS/MORGAN/SCOTT COUNTIES

FINANCIAL AUDIT
For the Year Ended: June 30, 2011

Release Date: July 10, 2012

Summary of Findings:

Total this audit:	2
Total last audit:	3
Repeated from last audit:	2

SYNOPSIS

- The Regional Office of Education #46 did not document its review and approval of building plans and specifications as required by the School Code.
- The Regional Office of Education #46 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 COMPLIANCE WITH LAWS AND REGULATIONS

The Regional Office of Education #46 did not document its review and approval of building plans and specifications as required by the School Code.

The Illinois School Code (105 ILCS 5/3-14.20) requires the Regional Superintendent to inspect the building plans and specifications, including but not limited to plans and specifications for the heating, ventilating, lighting, seating, water supply, toilets and safety against fire, of public school rooms and buildings submitted to him by school boards, and to approve all those which comply substantially with the statutorily authorized school building codes. The Regional Superintendent is to approve or deny the plans and specifications within three months after the date they were submitted by the school board.

The Regional Office of Education #46 did not document its review and approval of all building plans and specifications as required by 105 ILCS 5/3-14.20. During testing of 5 building plans and specifications submitted to the Regional Office of Education #46 by school districts, auditors noted the following:

- Two of five building plans submitted lacked required documentation showing Regional Office of Education #46's inspection.
- The Regional Office of Education #46 did not maintain its own listing of building inspection submissions. It relied on a listing from the Illinois State Board of Education (ISBE) website that did not clearly identify submissions for building inspections.

The Regional Office of Education #46 has inadequate controls in place to ensure that proper documentation regarding the building inspections and permits are obtained and maintained for future review. (Finding 11-1, pages 10-11) **This finding was first reported in 2009.**

Auditors recommended that the Regional Office of Education #46 should comply with the requirements of 105 ILCS 5/3-14.20 and maintain all required documentation for building inspections and have it appropriately approved. In addition, the Regional Office should maintain documentation showing all building plans submitted by school boards for inspection.

The Regional Office responded that it has been moving forward on compliance with this requirement. While there were two of the five samples that had inadequate paperwork, it

was a misunderstanding about amendments under the \$50,000 threshold. Both of these were less than \$50,000 but were not exempt from the requirements of 105 ILCS 5/3-14.20 due to the nature of the work performed. Both the ROE and the architect for the district failed to notice this. We continue to learn this very complicated process. (For previous Regional Office response, see Digest Footnote #1.)

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #46 did not have sufficient internal controls over the financial reporting process.

Regional Office of Education #46 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 #46 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 and correct financial statement misstatements and disclosure omissions in a timely manner. Auditors, in their review of the Regional Office's accounting records, noted numerous adjustments that were required to present financial statements in accordance with generally accepted accounting principles.

According to Regional Office officials, managements' review process did not effectively detect all of the adjustments needed to present the financial statements in accordance with generally accepted accounting principles. (Finding 11-2, pages 12-13) **This finding was first reported in 2007.**

Auditors recommended that as part of its internal control over the preparation of its financial statements, including disclosures, the Regional Office of Education #46 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 #46 responded that it has made great strides in improving its accounting practices and procedures. The Regional Office noted that it continues to improve its system in an effort to meet the necessary, ever-changing audit requirements. The Regional Office also noted that it is not financially able to hire a full-time CPA or retain one on a regular basis to complete financial statements as defined by the requirements. (For previous Regional Office response, see Digest Footnote #2.)

AUDITORS' OPINION

Our auditors state the Regional Office of Education #46's financial statements as of June 30, 2011 are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:KJM

AUDITORS ASSIGNED: Winkel, Parker & Foster, CPA PC were our special assistant auditors.

DIGEST FOOTNOTES

#1: Controls Over Compliance With Laws and Regulations - Previous Regional Office Response

In its prior response in 2010, the Regional Office of Education #46 responded that upon notification by the auditors of the paperwork exceptions, the ROE feels that they have been in full compliance after March 2010. The Regional Office also noted that they will continue to monitor this part of the operations to insure that all documentation is done.

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

In its prior response in 2010, the Regional Office of Education #46 responded that it has made great strides in improving its year-ending general ledger. The Regional Office noted that it continues to improve its system in an effort to meet the necessary requirements. The ROE noted that it is limited as to what adjusting journal entries can be made as its accounting system does not allow it to add new

accounts to the chart of accounts going back to prior fiscal years. The ROE noted that it made efforts to try to book all audit adjustments proposed by auditors but were limited due to the system limitations, which was understood between the auditing team and the ROE. The Regional Office noted that it understands errors were made and will continue to improve its review. Finally, the ROE noted that due to continued funding limitations and uncertainties, the ROE does not foresee the ability to hire a CPA to prepare full financial statements for future audits.