



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 #47**  
**LEE AND OGLE COUNTIES**

**FINANCIAL AUDIT (In Accordance with the Single  
Audit Act and OMB Circular A-133)  
For the Year Ended: June 30, 2012  
Release Date: July 11, 2013**

**Summary of Findings:**  
**Total this audit: 2**  
**Total last audit: 1**  
**Repeated from last audit: 1**

**SYNOPSIS**

- The Regional Office of Education #47 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #47 did not have adequate control over recording of grant activity.

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

**REGIONAL OFFICE OF EDUCATION #47**  
**LEE AND OGLE COUNTIES**

**FINANCIAL AUDIT**  
**(In Accordance with the Single Audit Act and OMB Circular A-133)**  
**For The Year Ended June 30, 2012**

	<b>FY 2012</b>	<b>FY 2011</b>
<b>TOTAL REVENUES</b>	\$3,571,838	\$3,030,509
Local Sources	\$453,794	\$505,009
% of Total Revenues	12.70%	16.66%
State Sources	\$1,599,039	\$1,543,839
% of Total Revenues	44.77%	50.94%
Federal Sources	\$1,519,005	\$981,661
% of Total Revenues	42.53%	32.39%
<b>TOTAL EXPENDITURES</b>	\$3,428,899	\$2,994,901
Salaries and Benefits	\$1,541,987	\$1,603,059
% of Total Expenditures	44.97%	53.53%
Purchased Services	\$567,159	\$619,523
% of Total Expenditures	16.54%	20.69%
All Other Expenditures	\$1,319,753	\$772,319
% of Total Expenditures	38.49%	25.79%
<b>TOTAL NET ASSETS</b>	\$839,266	\$696,327
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$92,864	\$96,018
Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Amy Jo Clemens Currently: Honorable Amy Jo Clemens

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

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

**The Regional Office of Education #47 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #47 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 #47 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.

Auditors, in their review of the Regional Office's accounting records, noted adjustments were required to present financial statements in accordance with generally accepted accounting principles. Management prepared a listing of adjustments needed to present the financial statements in accordance with generally accepted accounting principles. Management's review process of this listing, however, did not effectively detect all of the adjustments needed. (Finding 12-1, pages 12-13) **This finding was first reported in 2009.**

The auditors recommended that, as part of internal control over the preparation of financial statements, including disclosures, the Regional Office of Education #47 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 #47 responded that as part of its internal control over the preparation of its financial

statements, the Regional Office has implemented a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate on a monthly basis. The Regional Superintendent will continue to review all financial statements (including accruals) striving to be as accurate as possible, hoping to eliminate this finding in the future. (For previous Regional Office response, see Digest Footnote #1.)

### **INADEQUATE CONTROL OVER RECORDING OF GRANT ACTIVITY**

**The Regional Office of Education #47 did not have adequate control over recording of grant activity.**

The Office of Management and Budget (OMB) Circular A-102 Common Rule and OMB Circular A-110 require non-federal entities receiving federal awards establish and maintain internal controls designed to reasonably ensure compliance with federal laws, regulations and program compliance requirements. The objectives of internal control pertaining to the compliance requirements for federal programs are found in OMB Circular A-133.

Upon review of reimbursement requests and general ledger detail relating to the Title I-School Improvement and Accountability grant program (labeled as the Regional System of Support Providers fund in the financial statements), the auditors noted the following items:

1. The Regional Office did not properly maintain general ledger records that adequately identified the expenditures requested for reimbursement.
2. A journal entry was recorded to move expenditures from a local source fund to the Regional System of Support Providers fund without specifically identifying the expenditures moved.
3. Some expenditures were requested for reimbursement prior to the invoice being paid.

Without ensuring reimbursement requests are derived from or reconcile to the general ledger, errors or omissions may not be detected and corrected. Additionally, without specifically identifying expenditures prior to moving them from one fund to another, there is the possibility that the amounts moved may not meet the grant requirements. (Finding 12-2, pages 14-15)

The auditors recommended that the Regional Office of Education #47 should do the following:

1. The Regional Office should ensure that grants on the reimbursement basis are reconciled to the general ledger.

2. Journal entries need to be accompanied by full explanation and adequate supporting data.
3. Requests for reimbursement should only be made after specifically identifying allowable expenses and ensuring that they have been paid.

The Regional Office of Education #47 responded that as part of its internal control over reimbursement request for Title I-School Improvement and Accountability grant program (labeled as the Regional System of Support Providers fund in the financial statements), it has implemented a more comprehensive preparation and/or review procedure to maintain accurate reimbursement requests. The ROE stated that the Regional Superintendent will continue to review all financial statements and reimbursement requests striving to be as accurate as possible.

### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #47's financial statements as of June 30, 2012 are fairly presented in all material respects.



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WILLIAM G. HOLLAND  
Auditor General

WGH:JRB

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

### **DIGEST FOOTNOTE**

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

In its prior response in 2011, the Regional Office of Education #47 responded that as part of its internal control over the preparation of its financial statements, the Regional Office has implemented a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate on a monthly basis. The Regional Superintendent will continue to review all financial statements (including accruals) striving to be as accurate as possible, hoping to eliminate this finding in the future.

