

REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #53

TAZEWELL COUNTY

FINANCIAL AUDIT

For the Year Ended:
June 30, 2009

Summary of Findings:

Total this audit	3
Total last audit	1
Repeated from last audit	1

Release Date:
July 15, 2010



State of Illinois
Office of the Auditor General
WILLIAM G. HOLLAND
AUDITOR GENERAL

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SYNOPSIS

- The Regional Office of Education #53 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #53 used restricted funds from the RESPRO Fund for an unallowable expenditure.
- The Regional Office of Education #53 submitted an expenditure report for ROE/ISC Operations to the Illinois State Board of Education which did not agree to the Regional Office general ledger.

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

REGIONAL OFFICE OF EDUCATION #53
TAZEWELL COUNTY

FINANCIAL AUDIT
For The Year Ended June 30, 2009

	FY 2009	FY 2008
TOTAL REVENUES	\$1,517,948	\$1,440,031
Local Sources	\$188,437	\$203,138
% of Total Revenues	12.41%	14.11%
State Sources	\$1,143,272	\$1,168,171
% of Total Revenues	75.32%	81.12%
Federal Sources	\$186,239	\$68,722
% of Total Revenues	12.27%	4.77%
TOTAL EXPENDITURES	\$1,500,230	\$1,402,890
Salaries and Benefits	\$568,509	\$585,579
% of Total Expenditures	37.89%	41.74%
Purchased Services	\$135,459	\$137,155
% of Total Expenditures	9.03%	9.78%
All Other Expenditures	\$796,262	\$680,156
% of Total Expenditures	53.08%	48.48%
TOTAL NET ASSETS	\$426,802	\$409,084
INVESTMENT IN CAPITAL ASSETS	\$23,966	\$38,425
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Robin G. Houchin Currently: Honorable Robin G. Houchin

FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #53 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #53 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 #53 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 were 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. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, fixed assets, or deferred revenues.
- Numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles.
- The Regional Superintendent did not review and approve all journal entries.
- Neither the Regional Superintendent nor the Assistant Regional Superintendent reviewed payroll prior to payment.

According to Regional Office officials, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements. Additionally, the Regional Superintendent did not realize the need for supervisory review of the general journal entries. (Finding 09-01, pages 11-12) **Part of 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 #53 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. Additionally the Regional Superintendent should review and approve all journal entries along with supporting documentation prior to the entries being posted to the accounting records.

The Regional Office of Education #53 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office 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.

The Regional Office also responded that the Regional Superintendent will review and approve all journal entries along with supporting documentation prior to the entries being posted to the account records.

The Regional Superintendent also responded that as a result of this finding, either the Regional Superintendent or the Assistant Regional Superintendent now approves all payroll amounts prior to payment.

The Regional Office noted that an outside CPA reconciles the monthly bank statements with payroll checks included in this reconciliation. The CPA is aware that all employees are on a set contract each year and payroll checks should be issued for the same amount each payroll. The Regional Office noted that if the CPA notices any discrepancy in the payroll it would be brought to their attention. (For previous Regional Office response, see Digest Footnote #1.)

RESTRICTED FUNDS USED FOR AN UNALLOWABLE EXPENDITURE

The Regional Office of Education #53 used restricted funds from the RESPRO Fund for an unallowable expenditure.

The Regional Office of Education #53 used restricted funds from the RESPRO Fund for an unallowable expenditure. Grant monies can only be used for allowable grant expenditures as outlined in grant agreements.

The auditors' review of the amount due between funds showed a \$14,251 loan from the Regional System Provider/Federal System of Support (RESPRO) Fund to the General Fund. Loans are not one of the allowed uses of the RESPRO Fund. The Regional Office was not in compliance with the RESPRO grant agreement. (Finding 09-02, page 13)

Auditors recommended that the Regional Office of Education #53 should monitor payments from pooled cash accounts to be sure that the particular fund paying expenditures has sufficient funds to cover the payments and should use the RESPRO Fund only for purposes allowed by the grant agreement.

The Regional Office of Education #53 responded that it will closely monitor payments from pooled cash accounts to be sure that the particular fund paying expenditures has sufficient funds to cover the payments and will use the RESPRO Fund only for purposes as allowed by the grant agreement.

EXPENDITURE REPORT DID NOT AGREE TO THE GENERAL LEDGER

The Regional Office of Education #53 submitted an expenditure report for ROE/ISC Operations to the Illinois State Board of Education which did not agree to the Regional Office general ledger.

The Regional Office of Education #53 submitted an expenditure report for ROE/ISC Operations to the Illinois State Board of Education which did not agree to the Regional Office general ledger. Expenditure reports submitted to the State Board of Education should agree with the expenditures on the Regional Office's general ledger.

Auditors noted that the expenditure report submitted to the Illinois State Board of Education for the ROE/ISC Operations did not agree with the Regional Office books by \$5,698, resulting in an inaccurate expenditure report.

An inaccurate expenditure report was submitted, which could lead to the granting agency requesting reimbursements or adjusting the fiscal year 2010 grant amount. The general ledger used to prepare the report had not been adjusted for a transfer of salaries to another fund. (Finding 09-03, page 14)

Auditors recommended that the Regional Office of Education #53 personnel responsible for the reports should compare their total expenditures to their general ledger accounts and make necessary corrections before filing the reports.

The Regional Office of Education #53 responded that personnel responsible for the reports will closely compare their total expenditures to their general ledger accounts and make necessary corrections before filing the reports.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #53's financial statements as of June 30, 2009 are fairly presented in all material respects.

WILLIAM G. HOLLAND, Auditor General

WGH:JRB

SPECIAL ASSISTANT AUDITORS

Our special assistant auditors were West & Company, LLC.

DIGEST FOOTNOTES

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

In its prior response in 2008, the Regional Office of Education #53 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office 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.