



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #1
ADAMS AND PIKE COUNTIES

FINANCIAL AUDIT
For the Year Ended: June 30, 2011

Release Date: January 11, 2012

Summary of Findings:

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

SYNOPSIS

- The Regional Office of Education #1 recorded cash transactions of the West Central Regional System #240 in its general ledger system.
- The Regional Office of Education #1 did not have sufficient internal controls over the financial reporting process.
- A comparison of expenditure reports to the Regional Office of Education #1's general ledger revealed instances where the totals on the final 2011 expenditure reports were not consistent with the Regional Office of Education #1's general ledger.

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

REGIONAL OFFICE OF EDUCATION #1
ADAMS AND PIKE COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2011

	FY 2011	FY 2010
TOTAL REVENUES	\$1,850,764	\$2,079,257
Local Sources	\$379,229	\$335,508
% of Total Revenues	20.49%	16.14%
State Sources	\$1,160,879	\$1,510,570
% of Total Revenues	62.72%	72.65%
Federal Sources	\$310,656	\$233,179
% of Total Revenues	16.79%	11.21%
TOTAL EXPENDITURES	\$1,739,429	\$2,045,485
Salaries and Benefits	\$1,012,696	\$1,059,900
% of Total Expenditures	58.22%	51.82%
Purchased Services	\$308,080	\$383,352
% of Total Expenditures	17.71%	18.74%
All Other Expenditures	\$418,653	\$602,233
% of Total Expenditures	24.07%	29.44%
TOTAL NET ASSETS	\$676,815 ¹	\$590,350
INVESTMENT IN CAPITAL ASSETS	\$37,033	\$53,148
¹ Net assets for FY11 were reduced by \$24,870 due to a prior period adjustment in the Special Education Grants Infant/Toddler fund. Percentages may not add due to rounding		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Deborah Niederhauser Currently: Honorable Deborah Niederhauser

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**TRANSACTIONS OF TWO ENTITIES ARE
RECORDED IN ONE ACCOUNTING SYSTEM**

The Regional Office of Education #1 recorded cash transactions of the West Central Regional System #240 (WCR) in its general ledger system.

During the past fiscal year, the Regional Office of Education #1 recorded cash transactions of the West Central Regional System #240 (WCR) in its general ledger system. The WCR administers vocational education services for the region, and Regional Office of Education #1 acts as a fiscal agent for the WCR.

According to governmental accounting standards, transactions of two separate primary government units should not be co-mingled in one general ledger system. According to GASB 14, a special purpose government is a primary government if it has the following three characteristics: a separately elected governing board, fiscal independence, and status as a separate legal entity. The WCR has a separately elected board, is fiscally independent, and is a legally separate entity,

The Regional Office of Education #1 attempted to maintain a separate general ledger system for the WCR. However, the ROE continued to record certain WCR transactions in the ROE general ledger. (Finding 11-1, page 9) **This finding was first reported in 2003.**

Auditors recommended that the Regional Office of Education #1 establish an entirely separate set of records in order to eliminate the co-mingling of the Regional Office of Education #1 and the West Central Regional System accounting activity.

Management of the Regional Office of Education #1 agreed with the finding and noted that as of July 1, 2011, the Regional Office of Education #1 will no longer be acting as the fiscal agent for the West Central Regional System #240. (For previous Regional Office response, see Digest Footnote #1.)

**CONTROLS OVER FINANCIAL STATEMENT
PREPARATION**

The Regional Office of Education #1 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #1 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 #1 did not have sufficient internal controls over the financial reporting process. The Regional Office maintains its 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:

- Numerous adjustments were required to present financial statements in accordance with generally accepted accounting principles. Proposed adjusting entries changed the Regional Office's net assets by \$99,696.
- The Regional Office did not have adequate controls over the maintenance of records of accounts receivable. Accounts receivable and grants receivable balances were adjusted at June 30, 2011, by a net total of \$42,272.

According to Regional Office officials, they did not have adequate funding to hire or train their accounting personnel. (Finding 11-2, page 10) **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 #1 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.

Management of the Regional Office of Education #1 responded that they agreed with the finding. The Regional Office noted that it will employ accountants familiar with ROE operations to prepare financial statements according to GAAP standards. (For previous Regional Office response, see Digest Footnote #2.)

EXPENDITURE REPORTS DID NOT AGREE TO THE GENERAL LEDGER

The Regional Office of Education #1's general ledger revealed instances where the totals on the final 2011 expenditure reports did not agree with the Regional Office of Education #1's general ledger.

A comparison of expenditure reports to the Regional Office of Education #1's general ledger revealed instances where the totals on the final 2011 expenditure reports were not consistent with the Regional Office of Education #1's general ledger. While the following amounts are small, given the number of inconsistencies and historical nature of the finding, we noted the following:

- The expenditure report submitted to the Illinois State Board of Education for the ROE/ISC Operations program reported total expenditures of \$99,537, while the general ledger showed expenditures of \$99,976 (a \$439 difference).
- The expenditure report submitted to the Illinois State Board of Education for the Truants Alternative/Optional Education program reported total expenditures of \$58,473, while the general ledger showed expenditures of \$58,955 (a \$482 difference).
- The expenditure report submitted to the Illinois Department of Human Services for the Regional Office of Prevention Effectiveness Services program reported total expenditures of \$95,001, while the general ledger showed expenditures of \$95,852 (a \$851 difference).
- The expenditure report submitted to the Illinois Department of Human Services for the Special Education Grants Infants/Toddlers program reported total expenditures of \$392,970, while the general ledger showed expenditures of \$393,878 (an \$908 difference).

Inaccurate expenditure reports were submitted, which could lead to granting agencies requesting reimbursements or adjusting the fiscal year 2012 grant amounts.

The Regional Office of Education #1 personnel responsible for expenditure reports prepared the reports based on numbers that were not yet fully adjusted at year end. (Finding 11-3, page 11) **This finding was first reported in 2005.**

The auditors recommended that Regional Office of Education #1 personnel responsible for preparing the expenditure reports should use expenditures per the general ledger after all adjustments have been made.

Management of the Regional Office of Education #1 agreed with the finding. They responded that accounting personnel will not prepare reports to the Illinois State Board of Education or the Illinois Department of Human Services until all year end adjustments have been made. (For previous Regional Office response, see Digest Footnote #3.)

AUDITORS' OPINION

Our auditors state the Regional Office of Education #1's financial statements as of June 30, 2011 are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:JRB

AUDITORS ASSIGNED: Fick, Eggemeyer & Williamson, CPA's were our special assistant auditors on this engagement.

DIGEST FOOTNOTES

#1: TRANSACTIONS OF TWO ENTITIES ARE IN ONE ACCOUNTING SYSTEM—Previous Regional Office Response

In its prior response in 2010, management of the Regional Office of Education #1 agreed with the finding, noting that they will work to improve the general ledger systems in order to properly separate transactions of the West Central Regional System #240.

#2: CONTROLS OVER FINANCIAL STATEMENT PREPARATION—Previous Regional Office Response

In its prior response in 2010, management of the Regional Office of Education #1 responded that they agreed with the finding. The Regional Office noted that it will employ accountants familiar with ROE operations to prepare financial statements according to GAAP standards.

#3: EXPENDITURE REPORTS DID NOT AGREE TO GENERAL LEDGER—Previous Regional Office Response

In its prior response in 2010, management of the Regional Office of Education #1 agreed with the finding. They responded that accounting personnel will not prepare reports to the Illinois State Board of Education or the Illinois Department of Human Services until all year end adjustments have been made.