

REPORT DIGEST

**REGIONAL OFFICE OF
EDUCATION #33**

KNOX COUNTY

FINANCIAL AUDIT

For the Year Ended:
June 30, 2009

Summary of Findings:

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

Release Date:
May 11, 2010



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

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SYNOPSIS

- The Regional Office of Education #33 did not have sufficient internal controls over the financial reporting process.

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

REGIONAL OFFICE OF EDUCATION #33
KNOX COUNTY

FINANCIAL AUDIT
For The Year Ended June 30, 2009

	FY 2009	FY 2008
TOTAL REVENUES	\$750,345	\$717,778
Local Sources	\$59,550	\$50,591
% of Total Revenues	7.94%	7.05%
State Sources	\$590,990	\$658,566
% of Total Revenues	78.76%	91.75%
Federal Sources	\$99,805	\$8,621
% of Total Revenues	13.3%	1.20%
TOTAL EXPENDITURES	\$733,017	\$667,689
Salaries and Benefits	\$598,203	\$558,332
% of Total Expenditures	81.61%	83.62%
Purchased Services	\$76,761	\$55,141
% of Total Expenditures	10.47%	8.26%
All Other Expenditures	\$58,053	\$54,216
% of Total Expenditures	7.92%	8.12%
TOTAL NET ASSETS	\$136,792	\$119,464
INVESTMENT IN CAPITAL ASSETS	\$13,331	\$4,143
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Bonnie L. Harris
Currently: Honorable Bonnie L. Harris

**FINDINGS, CONCLUSIONS AND
RECOMMENDATIONS**

**CONTROLS OVER FINANCIAL STATEMENT
PREPARATION**

The Regional Office of Education #33 did not have sufficient internal controls over the financial reporting process.

The Knox County Regional Office of Education #33 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 #33 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.

During their review of the Regional Office's accounting records, auditors noted that the Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or deferred revenues. For example while the Regional Office did maintain records of accounts payable and accounts receivable, detailed testing of accounts payable noted two items totaling \$1,242 had been omitted from accounts payable records provided and three items for \$613 had been omitted from accounts receivable records provided. Additionally, no entries were provided to reconcile the Regional Office's grant activity, such as posting grant receivables and deferred revenues.

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. (Finding 09-01, pages 13-14) **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 Knox County Regional Office of Education #33 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 #33 responded that it understands the nature of this finding relates to internal control over financial reporting and realizes that this circumstance is not unusual in an organization of this size. The Regional Office accepts the degree of risk associated with this condition because the added expense of seeking additional accounting expertise to prepare and review financial statements would considerably diminish the limited available funds for educational services in the region. The Regional Office noted that it does maintain records of receivables and payables but does not record them until received or paid.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #33'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 Ginoli & Company LTD.

DIGEST FOOTNOTES

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

In its prior response in 2008, the Regional Office of Education #33 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 accepts the degree of risk associated with this condition because the added expense of seeking additional accounting expertise to prepare and review financial statements would considerably diminish the limited available funds for educational services in the region. The Regional Office noted that it does maintain records of receivables and payables but does not record them until received or paid.