



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #33
KNOX COUNTY

FINANCIAL AUDIT
For the Year Ended: June 30, 2010

Release Date: June 9, 2011

Summary of Findings:

Total this audit:	2
Total last audit:	1
Repeated from last audit:	1

SYNOPSIS

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

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

REGIONAL OFFICE OF EDUCATION #33
KNOX COUNTY

FINANCIAL AUDIT
For The Year Ended June 30, 2010

	FY 2010	FY 2009
TOTAL REVENUES	\$762,459	\$750,345
Local Sources	\$63,870	\$59,550
% of Total Revenues	8.38%	7.94%
State Sources	\$614,521	\$590,990
% of Total Revenues	80.60%	78.76%
Federal Sources	\$84,068	\$99,805
% of Total Revenues	11.03%	13.3%
TOTAL EXPENDITURES	\$768,629	\$733,017
Salaries and Benefits	\$639,245	\$598,203
% of Total Expenditures	83.17%	81.61%
Purchased Services	\$100,234	\$76,761
% of Total Expenditures	13.04%	10.47%
All Other Expenditures	\$29,150	\$58,053
% of Total Expenditures	3.79%	7.92%
TOTAL NET ASSETS	\$130,622	\$136,792
INVESTMENT IN CAPITAL ASSETS	\$19,233	\$13,331
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, including disclosures, 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. For example, auditors, in their review of the ROE's accounting records, noted the following:

- The Regional Office did not maintain adequate controls over the financial reporting process and adjustments were required to present financial statements in accordance with generally accepted accounting principles.
- The Regional Office did not maintain complete records of accounts receivable, accounts payable, or deferred revenue.

According to Regional Office officials, they did not have adequate funding to hire and/or train their accounting personnel in order to maintain a system of internal over the preparation of financial statements in accordance with GAAP. (Finding 10-1, pages 10-11) **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 and realizes that this circumstance is not unusual in an organization of this size. The Regional Office noted that it is financially unable to employ accounting personnel capable of maintaining an adequate system of internal control over the preparation of financial statements since this cost would take away from the funds available to provide educational services for the schools in the region. The Regional Office noted that if it has more stable financing in the future, it will try to hire and/or train personnel to maintain an appropriate system of internal control over the preparation of financial statements in accordance with generally accepted accounting principles. (For previous Regional Office response, see Digest Footnote #1.)

INADEQUATE CONTROLS OVER PROPERTY AND EQUIPMENT

The Regional Office of Education #33 did not have adequate controls over property and equipment.

The *Regional Office of Education (ROE) Accounting Manual* requires each ROE to maintain detailed fixed asset records for both accounting purposes as well as insurance purposes, for fixed assets costing \$500 or more. Additionally, the ROE Accounting Manual states that fixed assets should be recorded at historical cost or estimated historical cost and contributions received by the ROE should be recorded at fair market value on the date acquired.

The Regional Office of Education #33 did not have adequate controls over fixed assets. Not all items on the ROE's property and equipment listing included a value. In addition, the items without an assigned value were items that had been donated to the ROE. The absence of a sound system of internal controls over fixed assets could result in inaccurate reporting of fixed assets and inadequate physical control for equipment items. An incomplete fixed asset listing does not provide an adequate basis for physical control and losses may occur without being detected.

According to ROE personnel, they were unaware of the requirement to obtain or assign a value to the items that had been donated to them. (Finding 10-2, pages 12-13)

Auditors recommended that the Regional Office should adhere to the ROE Accounting Manual to effectively monitor property acquisitions and provide for accurate reporting of fixed asset balances. The fixed asset listing should include all

the details required by the ROE Accounting Manual, including a value for donated items, and should be checked for accuracy and existence through an annual physical inventory.

The Regional Office responded that it currently has fixed asset listings for both the ROE office and Knox County Academy. The Regional Office noted that the listings will be reviewed and updated as appropriate for existing items. The Regional Office also noted that all new items, including those that are donated, will be added to the listings and assigned a value.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #33's financial statements as of June 30, 2010 are fairly presented in all material respects.

WILLIAM G. HOLLAND
Auditor General

WGH:JRB

AUDITORS ASSIGNED: Sulaski and Webb, CPAs were our special assistant auditors.

DIGEST FOOTNOTES

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

In its prior response in 2009, 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.