

LEGISLATIVE AUDIT COMMISSION



Review of
Clinton, Marion & Washington Counties
Regional Office of Education #13
Year Ended June 30, 2002

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REVIEW: 4176
CLINTON/MARION/WASHINGTON COUNTIES
REGIONAL OFFICE OF EDUCATION #13
YEAR ENDED JUNE 30, 2002

FINDINGS/RECOMMENDATIONS - 8

PARTIALLY ACCEPTED - 3
ACCEPTED - 3
IMPLEMENTED - 2

REPEATED RECOMMENDATION - 1

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 3

This review summarizes the audit of the Clinton/Marion/Washington Counties Regional Office of Education #13 for the year ended June 30, 2002, filed with the Legislative Audit Commission on February 11, 2003. The auditors performed a financial audit in accordance with Government Auditing Standards, including the A-133, and State law. The auditors stated that the Regional Office of Education #13's financial statements as of June 30, 2002 are fairly represented.

The regional superintendent, who is elected from the counties served by the Regional Office, is responsible for all aspects of supervision, reports and financial accounting of school districts which are considered by State law to be in the Service Region. In addition, the regional superintendent is charged with responsibility for township fund lands; registration of the names of applicants for scholarships to State controlled universities; examinations and related duties; visitation of public schools; direction of teachers and school officers; to serve as the official advisor and assistant of school officers and teachers; to conduct teacher institutes as well as to aid and encourage the formation of other teachers meetings and assist in their management; evaluate the schools in the region; examine school treasurer's books, accounts and vouchers; examine evidence of indebtedness; file and keep the returns of elections required to be returned to the regional superintendent's office; and file and keep the reports and statements returned by school treasurers and trustees.

The regional superintendent is also charged with the responsibilities of conducting a special census, when required; providing notice of money distributed to treasurers, board presidents, clerks, and secretaries of the school districts on or before each September 30; maintenance of a map and numbering of the region's districts; providing township treasurers with a list of district treasurers; to inspect and approve building plans which comply with State law; to perform and report on annual building inspections; investigate bus drivers for valid driver permits; to maintain a list of unfilled teaching positions and carry out other related duties required or permitted by law.

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The regional superintendent is responsible for inspection and approval or rejection of school treasurer's bonds and to show that treasurers of school districts under his or her control are properly bonded. The regional superintendent is responsible for apportionment and payment of funds received from the State for the districts in the region. The regional superintendent is required to provide opinions and advice related to controversies under school law. Currently the Regional Office has 45 full-time employees and 5 part-time employees. There are 67 buildings in Region #13.

The Regional Superintendent for Region #13 during the audit period was the Honorable Danny L. Garrett. Mr. Garrett first served in this position in 1994 upon the merger of the regions. His salary, which is paid by the State, is \$86,142.

Revenues and Expenditures

Revenues to Regional Office #13 are as follows:

	FY 2002	FY 2001
Total Revenues	** \$3,225,338	\$ 3,055,741
Local Sources	* \$ 567,812	\$468,362
% of Total Revenues	17.60%	15.33%
State Sources	* \$2,101,482	\$1,592,125
% of Total Revenues	65.16%	52.10%
Federal Sources	\$ 556.044	\$ 995,254
% of Total Revenues	17.24%	32.57%

Expenditures by Regional Office #13 are as follows:

	FY 2002	FY 2001
Total Expenditures	** \$3,150,828	\$3,067,732
Salaries and Benefits	*\$2,117,368	\$1,619,415
% of Total Expenditures	*67.20%	52.79%
Purchased Services	\$718,702	\$854,979
% of Total Expenditures	22.81%	27.87%
All Other Expenditures	\$314,758	\$593,338
% of Total Expenditures	9.99%	19.34%

* Fiscal Year 2002 amounts include on-behalf payments (\$166,068). On-behalf payments were not included in Fiscal Year 2001.

** Fiscal Year 2002 amounts include local on-behalf payments (\$110,795), which were not included in Fiscal Year 2001.

Cost of property and equipment was \$333,653 in FY02 and \$336,075 in FY01.

Accountants' Findings and Recommendations

Condensed below are the eight findings and recommendations presented in the audit report. There were two repeated recommendations. The responses to the recommendations were provided by Danny Garrett, Regional Superintendent in the original audit report and also by phone conversation on May 22, 2003.

Partially Accepted

- 3. Return interest income earned on a program but not spent on that program to the Illinois State Board of Education.**

Findings: The prior year programs had accumulated interest income in the amount of \$2,065 and it was not spent during the fiscal year on that program.

Response: The Office states it will, by December 31, 2003, utilize interest income from each program on necessary program expenses. However, the Office will not return interest income to the State Board of Education.

- 5. Return \$3,000 to the Illinois Department of Human Services and discontinue future unnecessary program audits.**

Findings: Funds from the Early Intervention Program paid for a program audit which was not required by the DHS since the ROE falls under the A-133 single audit requirements.

Response: The Office states that it will discontinue the audit. However, since the audit was performed, no money will be returned.

- 6. Return \$650 to the Department of Labor and \$2,000 to the Illinois State Board of Education and discontinue future program audits.**

Findings: The Education-to-Careers paid for a program audit which was not required by the Department of Labor or the Illinois State Board of Education since the ROE falls under the A-133 audit requirements.

Response: The Office states that it will discontinue the audits. However, since the audits were performed, no money will be returned.

Accepted or Implemented

1. Maintain records by location and funding source to account for General Fixed Assets correctly.

Findings: The reporting for the General Fixed Assets Account Group requires tracking by the original funding source. The Office is tracking by location rather than funding source. Some items were shown as additions and deletions to fund programs that were actually transfers with between two #13 ROE offices.

Response: The Office states that the concern was remedied immediately upon learning of the oversight.

2. Develop a disposal authorization form, requiring the Superintendent's signature, to document the funding source for grant provision purposes.

Findings: Many grants require the approval of the grantor agency prior to disposal of fixed assets. The Office disposed of old computer equipment without documentation of approval or compliance with the funding source.

Response: The Office will develop a disposal authorization form by December 31, 2002.

4. Develop adequate procurement/purchasing procedures. (Repeated - 2001)

Findings: To comply with grant, contractual and legal requirements, clear purchasing procedures are required to ensure that only authorized expenditures are made and financial records are prepared accurately and consistent with management's assertions. During disbursement testing, these deficiencies were noted:

- No documentation of Superintendent review prior to disbursement;
- No clear assignment of authority for issuing purchase orders or contracting for goods and services was evident;
- No documentation of review of procurement for compliance with laws, regulations and contractual provisions; and
- Insufficient or no documentation of procedures for cost or price analysis.

Response: The Office states that by December 31, 2002, it will develop, at a minimum, the following procurement/purchasing procedures:

- Obtaining documentation that supports authorization of purchases by the Superintendent, the Superintendent's assistant, or other appropriate employees, such as a program coordinator;
- Acknowledging and documenting receipt of goods or services in accordance with the ROE requirements;

Accepted or Implemented - concluded

- Verifying amounts charged for goods and services based on complete and adequate documentation of the amounts being paid;
- Documenting disbursements, such as initialing and dating the invoices; and
- Performing a review of all supporting documentation by the Superintendent of his assistant prior to any funds being disbursed.

7. Refrain from writing checks for cash and using estimate figures, such as budget amounts.

Findings: Expenditures should be for actual, not budgeted costs, and should be documented. Checks should not be written for cashing. The auditors noted that one check was written to the program director and cashed for estimated lunch expenditures for 66 participants of an Education to Career's trip to St. Louis. No supporting documentation was found for the expenditure.

Response: The Office will refrain from writing checks for cash and using estimated figures, such as budget amounts. Supporting documentation for the \$660 meal expenditure was provided to the auditors during the formal exit conference.

8. Develop procedures to ensure that individuals, such as the program director, submit disbursement authorization along with travel reimbursement vouchers to support approval of expenditures.

Findings: During testing, the auditors found five travel reimbursement vouchers out of 40 tested were paid without evidence of a supervisor or program director's authorization. Supporting documentation should have evidence of authorization for payment by an appropriate official.

Response: The Office states that appropriate procedures were developed immediately upon learning of the oversight.