

# LEGISLATIVE AUDIT COMMISSION



Review of  
Bond, Fayette & Effingham Counties  
Regional Office of Education #3  
Year Ended June 30, 2002

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**REVIEW: 4174**  
**BOND, FAYETTE & EFFINGHAM COUNTIES**  
**REGIONAL OFFICE OF EDUCATION #3**  
**YEAR ENDED JUNE 30, 2002**

**FINDINGS/RECOMMENDATIONS - 9**

**NOT ACCEPTED - 1**  
**ACCEPTED - 1**  
**IMPLEMENTED - 7**

**REPEATED RECOMMENDATIONS - 7**

**PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 10**

This review summarizes the audit of the Bond, Fayette & Effingham Counties Regional Office of Education #3 for the year ended June 30, 2002, filed with the Legislative Audit Commission on February 6, 2003. The auditors performed a financial audit in accordance with Government Auditing Standards and State law. The auditors stated that the Regional Office of Education #3's financial statements as of June 30, 2002 are fairly presented except for the effect of the omission of the General Fixed Asset Account Group. The Group should be included in order to conform with general accepted accounting principles.

The regional superintendent, who is elected from among 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 inspection; investigate

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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.

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 26 full-time and 3 part-time employees. There are 40 buildings in Region #3.

The Regional Superintendent for Region #3 during the audit period was the Honorable Delbert Maroon. Mr. Maroon was first elected to the position in 1988. His salary, which is paid by the State is \$82,429.

**Revenues and Expenditures**

Revenues to Regional Office #3 are as follows:

	<b>FY 2002</b>	<b>FY 2001</b>
<b>Total Revenues</b>	* \$ 1,610,287	\$ 1,345,570
Local Sources	\$449,212	\$ 432,979
% of Total Revenues	27.90%	32.18%
State Sources	* \$1,130,482	\$903,981
% of Total Revenues	70.20%	67.18%
Federal Sources	\$30,593	\$8,610
% of Total Revenues	1.90%	.64%

Expenditures by Regional Office #3 are as follows:

	<b>FY 2002</b>	<b>FY 2001</b>
<b>Total Expenditures</b>	* \$1,605,182	\$1,322,454
Salaries and Benefits	* \$1,020,668	\$799,508
% of Total Expenditures	63.59%	60.46%
Purchased Services	\$455,978	\$385,201
% of Total Expenditures	28.41%	29.13%
All Other Expenditures	\$128,536	\$137,745
% of Total Expenditures	8.01%	10.42%

\* Fiscal Year 2002 amounts include on-behalf payments (\$166,035). On-behalf payments were not included in Fiscal Year 2001.

Cost of property and equipment could not be verified because the Regional Office does not maintain general fixed asset records, as required by generally accepted accounting principles. This omission resulted in a qualified opinion of the Office financial statement.

### **Accountants' Findings and Recommendations**

Condensed below are the nine findings and recommendations presented in the audit report. There were seven repeated recommendations. The responses to the recommendations were provided by Delbert Maroon, Regional Superintendent, in the original audit and by phone conversation on May 22, 2003.

#### **Not Accepted**

- 8. Ensure that the ROE bookkeeper maintain accounting records for the Alternative Education and Safe Schools programs, and ensure that the programs have segregated general ledger cash balances on its books and records. (Repeated-2001)**

**Findings:** The accounting records for the Alternative Education and Safe Schools programs are not maintained by the ROE's bookkeeper. Additionally, the cash balances of the Alternative Education programs are not accounted for separately by the ROE. One general ledger account is maintained for nine different programs. These programs are not subject to the ROE's internal controls, and the person who maintains the accounting records lacks the training and understanding of both accounting principles and procedures and the ROE's accounting system to properly maintain the accounting records for the schools.

**Response:** The Office disagrees with the finding. The individual responsible for the accounting records for the Alternative Education and Safe Schools programs will continue to receive training in accounting principles and procedures, as well as training in the accounting software used to maintain the programs' records. These programs will have segregated general ledger cash balances on its books and records.

#### **Accepted or Implemented**

- 1. Revise internal control policies over cash receipts. (Repeated - 2001)**

**Findings:** Mail receipts are not listed by the person opening the mail and the listing is not subsequently compared with the deposit. Checks are not immediately endorsed "for deposit only" when mail is opened. Cash receipts are held in an unlocked drawer and deposited monthly.

**Response:** The plan to be completed by December 31, 2002 is to revise certain controls over cash receipts as follows:

- Mail receipts will be listed by the person opening the mail and subsequently compared with the deposit;

**Accepted or Implemented - continued**

- Checks will be immediately endorsed upon opening the mail; and
- Cash receipts will be deposited at least weekly.

**2. Develop and implement internal control policies that address segregation of duties. (Repeated - 2001)**

**Findings:** The bookkeepers, in addition to maintaining general ledgers, preparing disbursement and payroll checks and reconciling bank accounts, also disburse checks after the checks are signed; prepare deposits and deposit cash; and disburse W-2s.

**Response:** After checks are signed, the ROE will have someone other than the bookkeepers mail the checks. Deposits will be made by someone other than the bookkeepers. W-2s will be disbursed by someone other than bookkeepers. The anticipated completion of this plan is December 31, 2002.

**3. Revise purchasing procedures. (Repeated - 2001)**

**Findings:** Purchase orders are not used consistently; evidence of receipts of goods or services is not maintained; invoices are not marked "paid;" and statements are not marked "statement" to prevent payment.

**Response:** The Office stated its intention to complete the following plan by December 31, 2002:

- Use of purchase orders or some form of documentation which allows approval by a department head or the Superintendents, shows the source of funds and indicates the availability of funds;
- Evidence of receipt of goods or services;
- Purchase order and evidence of receipt will be matched with the invoice and all items agreed prior to preparation of payments; and
- Invoices will be marked "paid."

**4. Ensure that all employees paid by either days or hours submit signed timesheets. (Repeated - 2001)**

**Findings:** No timecards are maintained for hourly employees, and an informal record of absences is utilized to prevent payment when an employee is absent.

**Response:** The Office stated that by December 31, 2002, all employees paid by either days or hours will submit signed timesheets. The timesheets will be reviewed by department heads and signed.

**5. Maintain a General Fixed Asset Account Group. (Repeated - 2001)**

**Findings:** Inadequate records are maintained to account for all general fixed assets. All fixed assets are not inventoried yearly. Only fixed assets in the Alternative Education and Educational Services funds are inventoried yearly. Fixed assets are not tagged. No policy is set outlining which items should be charged to fixed assets and which to expense accounts.

**Response:** The Office stated that by December 31, 2002 all fixed assets will be inventoried according to source of funds and recorded at cost, or estimated cost for those items where no cost is available. All assets will also be permanently tagged with serial numbers. A policy will be adopted indicating at which level equipment should be capitalized. Annually, assets, as recorded in the inventory listing plus those purchased during the year, will be compared with actual assets on-hand.

**6. Prepare a budget of anticipated expenses to be paid through county support. (Repeated - 2001)**

**Findings:** The ROE's bookkeeper devotes an unusually large amount of time submitting specific invoices, reconciling amounts due from each county and reporting to the specific counties. If each county would remit its proportionate share of support directly to the ROE, expenditures from the funds would be under the general disbursements controls and financial reporting of the ROE. Each county could then receive monthly expenditure reports through the ROE accounting system. Such procedures would not limit the accountability to the individual counties and the counties would be relieved of trying to account for and pay multiple specific expenditures.

**Response:** The Office stated that by June 30, 2003, and upon approval of the change by county, the ROE will prepare a budget of anticipated expenses to be paid through county support, and the support will be remitted by each county in proportionate share. Each county will receive monthly expenditure reports through the ROE's usual accounting system.

**7. Revise policies over certificates of deposit.**

**Findings:** The ROE did not record the value of certificates of deposit (\$30,288) on its books and records.

**Response:** The value was recorded immediately upon learning of the oversight.

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**Accepted or Implemented - concluded**

**9. Ensure that all meal receipts include the purpose of the meal noted on the receipt or expenditure authorization form. (Repeated - 2001)**

**Findings:** Receipts for meals were paid without any supporting evidence that the purpose of the meal related to a program function.

**Response:** The Office stated that the condition was corrected immediately upon learning of the oversight.