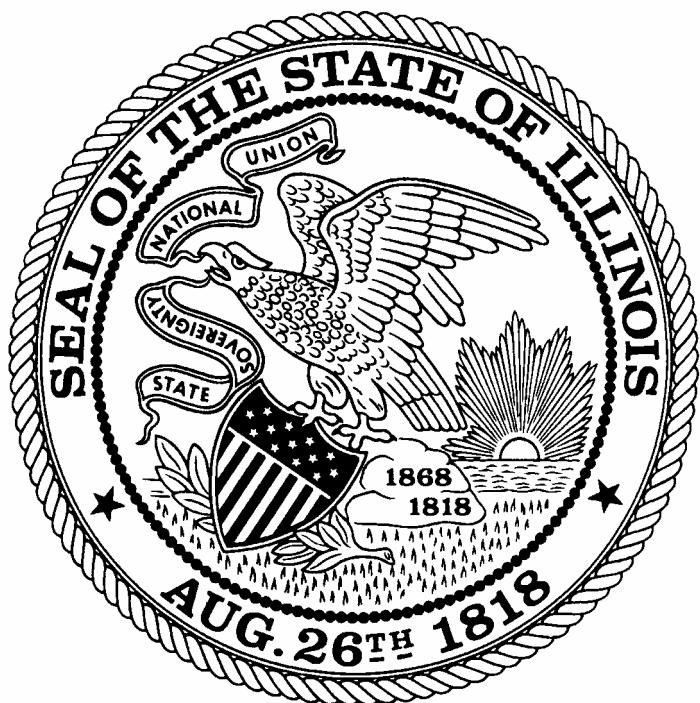


LEGISLATIVE AUDIT COMMISSION



Review of
Champaign and Ford Counties
Regional Office of Education #9
Year Ended June 30, 2002

622 Stratton Office Building
Springfield, Illinois 62706
217/782-7097

REVIEW: 4175
CHAMPAIGN AND FORD COUNTIES
REGIONAL OFFICE OF EDUCATION #9
YEAR ENDED JUNE 30, 2002

FINDINGS/RECOMMENDATIONS - 8

NOT ACCEPTED - 1
ACCEPTED - 1
IMPLEMENTED - 6

REPEATED RECOMMENDATIONS - 0

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 2

This review summarizes the audit of the Champaign and Ford Counties Regional Office of Education #9 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 and State law. The auditors stated that the Regional Office of Education #9's financial statements as of June 30, 2002 are fairly presented.

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 145 full-time and 87 part-time employees. There are 71 buildings in Region #9.

The Regional Superintendent for Region #9 during the audit period was the Honorable Martin Barrett. Mr. Barrett was first elected to the position in 1992. His salary, which is paid by the State, is \$86,128.

Revenues and Expenditures

Revenues to Regional Office #9 are as follows:

	FY 2002	FY 2001
Total Revenues	\$5,504,052	\$5,067,650
Local Sources	\$1,390,402	\$1,258,161
% of Total Revenues	25.26%	24.83%
State Sources	\$2,597,674	\$2,449,731
% of Total Revenues	47.20%	48.34%
Federal Sources	\$1,515,976	\$1,359,758
% of Total Revenues	27.54%	26.83%

Expenditures by Regional Office #9 are as follows:

	FY 2002	FY 2001
Total Expenditures	\$5,484,975	\$5,033,992
Salaries and Benefits	\$2,975,245	\$2,228,462
% of Total Expenditures	54.24%	44.27%
Purchased Services	\$1,405,213	\$1,492,229
% of Total Expenditures	25.62%	29.64%
All Other Expenditures	\$1,104,213	\$1,313,301
% of Total Expenditures	20.13%	26.09%

Fiscal Year 2002 amounts include on-behalf payments (\$173,452). On-behalf payments were not included in Fiscal Year 2001.

Cost of property and equipment was \$465,354 in FY02 and \$351,526 in FY01.

Accountants' Findings and Recommendations

Condensed below are the eight findings and recommendations presented in the audit report. There were no repeated recommendations. The responses to the recommendations were provided by Martin Barrett, Regional Superintendent, in the original audit report and via a phone conversation on May 23, 2003.

Not Accepted

- 3. Report only liabilities actually incurred but not paid as obligated funds on Illinois State Board of Education expenditure reports.**

Findings: Generally Accepted Accounting Principles require that expenditures be reported when the Office has disbursed payment for the expenditure. The expenditure reports to the Illinois State Board reported 110% of budgeted expenditures less budgeted salaries as obligated funds even though the related services or goods had not been received or ordered. The Office indicated that by reporting the budgeted amounts as obligated amounts, it receives substantially the entire grant amount very early in the program period to prevent cash shortfalls due to slow reimbursements from the State.

Response: The Regional Superintendent disagrees with the finding. The Office will continue to complete expenditure reports using the above formula suggested by the Illinois State Board of Education to maintain cash flow until funding from the State is prompt for all programs.

Accepted or Implemented

- 1. Comply with Policies and Procedures Manual that restricts transactions with related parties.**

Findings: The Office purchased a 1985 pickup truck in 2000 from an employee for about \$6,000. The truck was sold back to the same employee in FY02 for \$100. The truck's fair value was approximately \$1,200 when it was sold in FY02. The Office does not have records showing the truck's value at the time of original purchase. The Office did have the right to cancel the sale of the truck when only one bid was received.

Response: Agree. The concern was corrected immediately upon learning of the oversight.

- 2. Post all revenues to revenue accounts and all expenditures to expenditure accounts in gross amounts. Revise accounting policies and follow Generally Accepted Accounting Principles.**

Accepted or Implemented - concluded

Findings: On several occasions, the Office offset revenues and expenditures within funds. This created a misstatement of revenue and expenditures which prevents the Office from presenting GAAP financial statements.

Response: Agree. The Office will post gross amounts correctly and will revise its accounting policies and follow generally accepted accounting principles.

4. Properly utilize accounting software to properly report payables and receivables. Train staff as necessary to maintain accrual basis accounting records.

Findings: Even though accrual accounting is required for financial statement presentation, the Office uses cash basis accounting records throughout the year and does not record accounts receivable or accounts as required by generally accepted accounting principles. An external auditor converts the accounting records from the cash basis to the accrual basis for financial statements. The Office's accounting system contains an accounts payable function that is not used.

Response: The Office stated that by December 31, 2002 accounting staff will accrue payables and receivables not less than each quarter to aid in the preparation of expenditure reports. The Office will utilize the payable/receivable function of its accounting system so that payables/receivables are recorded throughout the year. Staff will obtain training as necessary to maintain accrual basis accounting records.

5. Record grant funds as required by the Illinois State Board of Education accounting manual.

Findings: Grants received from governmental agencies other than the Illinois State Board of Education are recorded as "other local funds" even though the grantor may be another State agency.

Response: The Office stated that it will accurately record grant funds by December 31, 2002.

6. Record all agency funds in separate accounts as required. Ensure that personnel receive training as necessary to meet accounting standards.

Findings: The Office established one "Flo Through" account for three agency funds.

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Response: The Office stated that by December 31, 2002 it will record all agency funds in separate accounts, and the bookkeeper will obtain training as necessary to meet accounting standards.

7. Monitor compliance with all internal control procedures, including those over disbursements, and take prompt action when exceptions are noted.

Findings: The same employee who collects teacher certificate renewal fees also disburses those fees to the State Institute Fund. The segregation of duties and internal controls over disbursements are being circumvented.

Response: The Office stated that by December 31, 2003 management will monitor compliance with all internal control procedures, including those over disbursements, and take prompt action when exceptions are noted.

8. Record all donated assets as required.

Findings: Donated equipment with a fair market value of \$1,400 was not recorded in the accounting records.

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