

MEMORANDUM

Material Weakness

Preparation of Financial Statements

The Joint Agreement employs competent individuals (both within the Joint Agreement and through the services of the School Treasurer's office) who understand the Joint Agreement's operations and its challenges. While such individuals understand the Joint Agreement's financial statements, including footnote disclosures, they do not necessarily stay current with all new accounting pronouncements that could impact the Joint Agreement's financial reporting. As a result, it was necessary for us to prepare the Joint Agreement's financial statements in conjunction with the audit. The potential effect of this control deficiency is that a misstatement or omission in the financial statements would not be prevented, detected or corrected on a timely basis.

Recommendation

We recommend the Board of Governors evaluate the situation. The Board should consider the current capabilities of employees and the amount of additional expense the Joint Agreement would incur as a result of requiring employees with financial statement responsibility to remain current with all applicable accounting pronouncements or hiring another service provider to prepare the Joint Agreement's financial statements for audit.

Management Response

The Board of Governors has discussed the options concerning the Joint Agreement obtaining the capabilities of preparing financial statements, including complete footnote disclosures, which would not require significant changes by the auditor. The Board believes it would not be cost beneficial for the Joint Agreement to hire a service provider to perform such a task or train current employees to be able to do so. The Board believes it is in the best interest of the Joint Agreement to continue to retain the auditing firm to prepare its financial statements in conjunction with the year end audit.

Other Deficiencies in Internal Control

General Ledger

Workers' Compensation Account Activity

During our audit, we noted that only transactions that cleared the bank were recorded in the general ledger. Failure to record transactions when they occur results in an incomplete general ledger. In addition, bank errors or omissions could go undetected without an independent record to reconcile to.

Recommendation

We recommend the Joint Agreement record all medical checking account receipts and disbursements when they occur, rather than when they clear the bank. The bank statements should be reconciled to the general ledger, and any differences should be investigated and resolved timely.

Proper Coding of Capital Outlay

The Illinois State Board of Education provides two object codes (500 and 700) for capital outlay. Only capitalized equipment should be recorded in object 500. We noted numerous purchases recorded in object 500 that did not meet the criteria of capital assets.

Recommendation

We recommend that only purchases that meet the criteria of capital assets are recorded in object 500.

Cash Management for Major Program

During our audit, we noted two member school districts that were reimbursed twenty percent over their approved IDEA Preschool budget on the fourth quarter reimbursements. This error resulted in a total overpayment of \$2,646.43. We also noted a member school district that was over reimbursed by \$3,162.61 on its fourth quarter IDEA Part B Flow-Through expenditure report. The Joint Agreement adjusted the fourth quarter reimbursement report, but did not reduce the payment to the district.

Recommendation

We recommend that management request reimbursement from the member districts that were over reimbursed. We also recommend that management enhance their review of the individual member district monitoring sheets to ensure that the member districts are only reimbursed up to their approved budget and that the checks written agree with the approved expenditure reports received from the member districts.