

Northern Kane County Regional Vocational System

**REPORTS REQUIRED BY
OMB CIRCULAR A-133 AND
*GOVERNMENT AUDITING STANDARDS***

YEAR ENDED JUNE 30, 2012

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**Independent Auditor's Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit
of Financial Statements Performed in Accordance With
Government Auditing Standards**

Members of the Board of Education
Northern Kane County Regional Vocational System
Elgin, Illinois

We have audited the financial statements of the governmental activities and the major fund of Northern Kane County Regional Vocational System (the System) as of and for the year ended June 30, 2012, which collectively comprise the System's basic financial statements and have issued our report thereon dated November 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the System is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the System's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the System's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, we identified certain deficiencies described in the accompanying schedule of findings and questioned costs, that we consider to be a significant deficiency in internal control over financial reporting, finding 12-01. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the System's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The System's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the System's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

The image shows a handwritten signature in cursive script that reads "McGladrey LLP". The signature is written in black ink and is positioned above the typed name and date.

Chicago, Illinois
November 30, 2012



**Independent Auditor's Report on Compliance With
Requirements That Could Have a Direct and Material Effect
On Each Major Program and Internal Control Over
Compliance in Accordance with OMB Circular A-133**

Members of the Board of Education
Northern Kane County Regional Vocational System
Elgin, Illinois

Compliance

We have audited the compliance of Northern Kane County Regional Vocational System (the System) with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the System's major federal program for the year ended June 30, 2012. The System's major federal program is identified in the summary of auditor's results section of the accompanying *Schedule of Findings and Questioned Costs*. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the System's management. Our responsibility is to express an opinion on the System's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the System's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the System's compliance with those requirements.

In our opinion, the System complied, in all material respects, with the compliance requirements referred to above that are could have a direct and material effect on its major federal program for the year ended June 30, 2012.

Internal Control over Compliance

Management of the System is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the System's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the System's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities and the major fund of the System as of and for the year ended June 30, 2012, and have issued our report thereon dated November 30, 2012. Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise the System's basic financial statements.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The 2012 information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards for the year ended June 30, 2012 is fairly stated in all material respects in relation to the 2012 basic financial statements as a whole. We also have previously audited, in accordance with auditing standards generally accepted in the United States and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States, the System's basic financial statements for the year ended June 30, 2011, which are not presented with the accompanying financial statements. In our report dated December 14, 2011, we expressed unqualified opinions on the respective financial statements of the governmental activities and the major fund. In our opinion, the accompanying schedule of expenditures of federal awards for the year ended June 30, 2011 is fairly stated, in all material respects, in relation to the basic financial statements for the year ended June 30, 2011, taken as a whole.

This report is intended solely for the information and use of management, the Board of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

McGladrey LLP

Chicago, Illinois
November 30, 2012

ILLINOIS STATE BOARD OF EDUCATION
 100 NORTH FIRST STREET
 SPRINGFIELD, ILLINOIS 62777-0001

(attachment of ISBE 62-18)

County
 District/Joint Agreement Name
 Northern Kane
 District/Joint Agreement No.
 31-045-0460-46

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 YEAR Ended JUNE 30, 2012

Federal Agency/ Pass-through Grantor/ Program Name	CFDA Number (A)	ISBE Project Number (B)	Revenues		Expenditures		Obligations/ Encumbrances (G)	Final Status (H)	Budget (I)
			7/1/10- 6/30/11 (C)	7/1/11- 6/30/12 (D)	7/1/10- 6/30/11 (E)	7/1/11- 6/30/12 (F)			
U.S. Department of Education:									
Direct grants:									
CTE - Perkins - Secondary	84.048A*	2011-4745-00	\$ -	\$ 344,712	\$ -	\$ 456,603	\$ -	\$ 456,603	\$ 653,746
		2010-4745-00	479,053	153,012	417,703	217,349	-	635,052	643,620
Total Department of Education			\$ 479,053	\$ 497,724	\$ 417,703	\$ 673,952	\$ -	\$ 1,091,655	N/A
Total Federal Awards			\$ 479,053	\$ 497,724	\$ 417,703	\$ 673,952	\$ -	\$ 1,091,655	N/A

CFDA Catalog of Federal Domestic Assistance

* Denotes a major program

See Notes to Schedule of Expenditures of Federal Awards

**Northern Kane County Regional Vocational System
Notes to Schedule of Expenditures of Federal Awards
June 30, 2012**

Note 1. Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Northern Kane County Regional Vocational System and is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of financial statements. There were no federal awards expended for non-cash assistance, insurance or any loans or loan guarantees outstanding at year end.

Basis of accounting: The schedule has been prepared using the cash basis of accounting, which is the same used in the preparation of the basic financial statements of the System.

Note 2. Payments to Subrecipients

The following funds were identified as having been provided to subrecipients by the System, under the meaning of Sections 105 and 210 of OMB Circular A-133, and accordingly, these funds identified in the Schedule of Expenditures of Federal Awards are attributable to subrecipient entities as required under Section 310(b) of OMB Circular A-133:

Subrecipient Name	Amount
Community Unit School District #300	\$ 139,379
Central Community Unit School District #301	-
Community Unit School District #303	99,705
School District U-46	434,868
Total Pass Through	\$ 673,952

**Northern Kane County Regional Vocational System
 Schedule of Findings and Questioned Costs
 June 30, 2012**

I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? Yes No
 Significant deficiency (ies) identified? Yes None Reported

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? Yes No
 Significant deficiency(ies) identified? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? Yes No

Identification of major program:

CFDA Number
84.048A

Name of Federal Program or Cluster
Career and Technical Education—Basic Grants to States (Perkins IV)

Dollar threshold used to distinguish between type A and type B programs \$300,000

Auditee qualified as low-risk auditee? Yes No

**Northern Kane County Regional Vocational System
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2012**

II. FINANCIAL STATEMENT FINDINGS

Finding 12-01: Maintenance of Personnel Files

Criteria:

Good business practices require that adequate and relevant employee records be maintained in individual employee files from their dates of hire and maintained through the dates of separation of employment.

Condition:

The System does not have adequate procedures in place to ensure that personnel information is properly maintained. During payroll testing, we noted 2 instances of lack of adequate documentation in personnel files.

Context:

During our testing, we noted an employee on long-term disability was retired in the payroll system effective October 2011, but there was no documentation in the personnel file regarding the effective termination date. In addition, for a new hire, we noted discrepancies in the salary amount stated in the employment contract and actual salary payment to the employee. The auditors did note that the System was not informed of any error in salary payment by the employee.

Effect:

Lack of maintenance of adequate information in personnel files could result in discrepancies in approved employee compensation and actual compensation paid out to the employee. In addition, the System's expense and liability for payroll and post-retirement benefits could be misstated if adequate documentation is not maintained in personnel files to support employee's compensation, hire dates and termination dates.

Cause:

According to System management, the System does not have a formal process relating to the transition of employees from long-term disability to retirement status, but the System is currently working on a formal process. With regards to the salary discrepancy, System management stated that actual salaries are dependent on verification of education and experience; hence actual payment could differ from the initial salary stated in the employment contract or salary letter, once the verification process is complete.

Recommendation:

We recommend that the System establish a formal process for transitioning employees from long-term disability to retirement status. In addition, procedures should be established to ensure that adequate information is maintained in all personnel files. The Human Resources department should conduct a periodic review of all employee files to ensure relevant information is maintained therein, to support approved compensation for each employee.

Views of responsible officials and planned corrective actions:

The current system is very labor intensive for filing of employee documents. During the past year we have reviewed the Human Resource department procedures and are in the process of transitioning to new software for Human Resources. The new software will allow for electronic storage of employee documents, and improved reporting for employee information.

**Northern Kane County Regional Vocational System
Schedule of Findings and Questioned Costs (Continued)
Year Ended June 30, 2012**

III. FINDINGS AND QUESTIONED COSTS FOR FEDERAL AWARDS

There were no findings or questioned costs for federal awards required to be reported.

**Northern Kane County Regional Vocational System
Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2012**

There were no prior year findings.

**Northern Kane County Regional Vocational System
Corrective Action Plan
Year Ended June 30, 2012**

Finding 12-01: Maintenance of Personnel Files

Condition:

The System does not have adequate procedures in place to ensure that personnel information is properly maintained. During payroll testing, we noted 2 instances of lack of adequate documentation in personnel files.

Plan:

The current system is very labor intensive for filing of employee documents. During the past year we have reviewed the Human Resource department procedures and are in the process of transitioning to new software for Human Resources. The new software will allow for electronic storage of employee documents, and improved reporting for employee information.

Anticipated Date of Completion:

June 30, 2013

Name of Contact Person:

Dale Burnidge

View of Responsible Officials:

Management concurs with the finding.