



STATE OF ILLINOIS  
**OFFICE OF THE  
AUDITOR GENERAL**

William G. Holland, Auditor General

---

**SUMMARY REPORT DIGEST**

---

**REGIONAL OFFICE OF EDUCATION #51**  
**SANGAMON COUNTY**

**FINANCIAL AUDIT**  
**For the Year Ended: June 30, 2012**

**Release Date: February 14, 2013**

**Summary of Findings:**

<b>Total this audit:</b>	<b>2</b>
<b>Total last audit:</b>	<b>1</b>
<b>Repeated from last audit:</b>	<b>1</b>

**SYNOPSIS**

- The Regional Office of Education #51 did not have sufficient internal controls over the financial reporting process.
- The Regional Office of Education #51 did not have adequate collateral on deposits.

{Revenues and expenditures are summarized on the reverse page.}

**REGIONAL OFFICE OF EDUCATION #51**  
**SANGAMON COUNTY**

**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2012**

	<b>FY 2012</b>	<b>FY 2011</b>
<b>TOTAL REVENUES</b>	\$2,995,345	\$3,381,147
Local Sources	\$1,290,999	\$1,336,710
% of Total Revenues	43.10%	39.53%
State Sources	\$1,533,465	\$1,200,366
% of Total Revenues	51.19%	35.50%
Federal Sources	\$170,881	\$844,071
% of Total Revenues	5.70%	24.96%
<b>TOTAL EXPENDITURES</b>	\$3,083,377	\$3,316,022
Salaries and Benefits	\$2,247,314	\$2,099,843
% of Total Expenditures	72.88%	63.32%
Purchased Services	\$650,584	\$1,038,372
% of Total Expenditures	21.10%	31.31%
All Other Expenditures	\$185,479	\$177,807
% of Total Expenditures	6.02%	5.36%
<b>TOTAL NET ASSETS</b>	\$1,227,997 <sup>1</sup>	\$1,321,606
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$12,938	\$16,402
<sup>1</sup> Includes a (\$5,577) restatement to the FY12 beginning net asset balance due to a fund reclassification from a Governmental Fund to an Agency Fund. Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Jeff Vose
Currently: Honorable Jeff Vose

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **CONTROLS OVER FINANCIAL STATEMENT PREPARATION**

**The Regional Office of Education #51 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #51 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Regional Office internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review GAAP based financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

The Regional Office of Education #51 did not have sufficient internal controls over the financial reporting process. The Regional Office maintains its accounting records on the cash basis of accounting. While the Regional Office maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner. For example, auditors, in their review of the Regional Office's accounting records, noted the following:

- The Regional Office's financial information required numerous adjusting entries to present the financial statements in accordance with generally accepted accounting principles.
- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or deferred revenue. While the Regional Office did maintain records to indicate the balances of accounts payable, accounts receivable, and deferred revenue, no entries were provided to reconcile the Regional Office of Education #51's grant activity, such as posting grant receivables and deferred revenue.

According to ROE officials, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements. (Finding 12-01, pages 10a-10b) **This finding was first reported in 2007.**

The auditors recommended that, as part of its internal control over the preparation of financial statements, including disclosures, the Regional Office of Education #51 should

implement a comprehensive preparation and/or review procedure to ensure that the financial statements, including disclosures, are complete and accurate. Such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations.

The Regional Office of Education #51 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office of Education staff has a reasonable understanding of the financial statements and can determine that the information in the financial statements is accurate, however, they lack the ability to prepare the notes to the financial statements. The recommendation that "such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education's activities and operations," has been noted by the Regional Office. The ROE noted that they will continue to work with the other Regional Offices of Education to determine the most effective method of ensuring that employees possess the knowledge required to compile the necessary GAAP based financial statements. (For previous Regional Office response, see Digest Footnote #1.)

### **UNCOLLATERALIZED DEPOSITS**

**The Regional Office of Education #51 did not have adequate collateral on deposits.**

The Regional Office's investment policy indicates that it follows the Illinois Public Funds Investment Act (30 ILCS 235/1 et. seq.) (Act). The Act gives the authorization for deposits in excess of the federally insured limit to be covered by pledged collateral held by the financial institutions' trust departments in the Regional Office of Education #51's name. In addition, prudent business practice requires that all cash and investments held by the financial institutions for the Regional Office be adequately covered by depository insurance or collateral.

The Regional Office of Education #51 did not obtain sufficient collateral for its interest bearing deposits at one of the financial institutions utilized by the Regional Office. As of June 30, 2012, the Regional Office's interest bearing deposits exceeded the \$250,000 insured by the Federal Deposit Insurance Corporation (FDIC) by \$1,054,778.

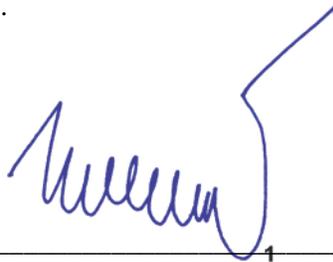
Due to employee leave of absence during the year, collateralization of deposits in excess of FDIC insurance was overlooked by the Regional Office when changing financial institutions for its operating account. (Finding 12-02, page 10c)

The auditors recommended that the Regional Office of Education #51 should follow its investment policy and obtain pledged collateral for all its deposits exceeding FDIC insurance coverage from the financial institutions utilized by the Regional Office.

The Regional Office of Education #51 responded that it is in discussion with the financial institution to obtain collateral for all deposits exceeding FDIC insurance coverage.

### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #51's financial statements as of June 30, 2012 are fairly stated in all material respects.



---

WILLIAM G. HOLLAND  
Auditor General

WGH:JRB

AUDITORS ASSIGNED: Kemper CPA Group LLP were our special assistant auditors.

### **DIGEST FOOTNOTES**

#### **#1: Controls Over Financial Statement Preparation — Previous Regional Office Response**

In its prior response in 2011, the Regional Office of Education #51 responded that it understands the nature of this finding and realizes that this circumstance is not unusual in an organization of this size. The Regional Office of Education staff has a reasonable understanding of the financial statements and can determine that the information in the financial statements is accurate, however, they lack the ability to prepare the notes to the financial statements. The recommendation that “such procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable generally accepted accounting principles, GASB pronouncements, and knowledge of the Regional Office of Education’s activities and operations,” has been noted by the Regional Office. The ROE noted that they will continue to work with the other Regional Offices of Education to determine the most effective method of ensuring that its employees possess the knowledge required to compile the necessary GAAP based financial statements.

