



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

William G. Holland, Auditor General

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**SUMMARY REPORT DIGEST**

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**REGIONAL OFFICE OF EDUCATION #56**  
**WILL COUNTY**

**FINANCIAL AUDIT (In Accordance with the Single  
Audit Act and OMB Circular A-133)  
For the Year Ended: June 30, 2012  
Release Date: May 7, 2013**

**Summary of Findings:**  
**Total this audit: 1**  
**Total last audit: 2**  
**Repeated from last audit: 1**

**SYNOPSIS**

- The Regional Office of Education #56 did not have sufficient internal controls over the financial reporting process.

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

**REGIONAL OFFICE OF EDUCATION #56**  
**WILL COUNTY**

**FINANCIAL AUDIT**  
**(In Accordance with the Single Audit Act and OMB Circular A-133)**  
**For The Year Ended June 30, 2012**

	<b>FY 2012</b>	<b>FY 2011</b>
<b>TOTAL REVENUES</b>	\$10,726,603	\$12,880,790
Local Sources	\$2,110,246	\$2,274,432
% of Total Revenues	19.67%	17.66%
State Sources	\$2,882,771	\$3,778,258
% of Total Revenues	26.87%	29.33%
Federal Sources	\$5,733,586	\$6,828,100
% of Total Revenues	53.45%	53.01%
<b>TOTAL EXPENDITURES</b>	\$10,583,941	\$11,511,956
Salaries and Benefits	\$3,013,438	\$3,020,250
% of Total Expenditures	28.47%	26.24%
Purchased Services	\$3,366,169	\$2,398,745
% of Total Expenditures	31.80%	20.84%
All Other Expenditures	\$4,204,334	\$6,092,961
% of Total Expenditures	39.72%	52.93%
<b>TOTAL NET ASSETS</b>	\$5,373,434	\$5,230,772
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$360	\$3,016
Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Jennifer Bertino-Tarrant Currently: Honorable Shawn T. Walsh (Effective February 21, 2013)

**FINDINGS, CONCLUSIONS, AND**  
**RECOMMENDATIONS**

**CONTROLS OVER FINANCIAL STATEMENT  
PREPARATION**

**The Regional Office of Education #56 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #56 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The Regional Office's 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 #56 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. In their review of the Regional Office's accounting records, auditors noted that:

- The Regional Office's financial information required numerous adjusting entries to present 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 #56's grant activity, such as posting grant receivables and deferred revenue.

According to the Regional Office, current funding levels are not adequate to hire and/or train accounting personnel in order to comply with these requirements. (Finding 12-01, pages 12a-12b) **This finding was first reported in 2010.**

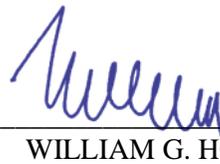
The auditors recommended that, as part of its internal control over the preparation of financial statements, including disclosures, the Regional Office of Education #56 should implement a comprehensive preparation and/or review procedure to ensure the financial statements, including disclosures, are 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 #56 responded that it accepts the degree of risk associated with this condition because the additional expense to seek outside accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region.

The Regional Office noted that it will continue to work with the other Regional Offices of Education to determine the most effective method of ensuring that their employees possess the knowledge required to compile the necessary GAAP based financial statements. (For previous Regional Office response, see Digest Footnote #1.)

#### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #56's financial statements as of June 30, 2012 are fairly stated in all material respects.



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WILLIAM G. HOLLAND  
Auditor General

WGH:KJM

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 #56 responded that it accepts the degree of risk associated with this condition because the additional expense to seek outside accounting expertise to prepare and/or review financial statements would take away from the funds available to provide educational services for the schools in the region. The Regional Office noted that it will review, approve, and accept responsibility for the audit adjustments, financial statements and related notes provided by the auditors.

The Regional Office noted that it will continue to work with the other Regional Offices of Education to determine the most effective method of ensuring that their employees possess the knowledge required to compile the necessary GAAP-based financial statements.