



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 #2**  
**ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES**

**FINANCIAL AUDIT (In accordance with the Single  
Audit Act and OMB Circular A-133)  
For the Year Ended: June 30, 2013  
Release Date: May 15, 2014**

**Summary of Findings:**  
**Total this audit: 1**  
**Total last audit: 1**  
**Repeated from last audit: 0**

**SYNOPSIS**

- The Regional Office of Education #2 did not have adequate monitoring of collateral on deposits.

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

**REGIONAL OFFICE OF EDUCATION #2**  
**ALEXANDER, JOHNSON, MASSAC, PULASKI, AND UNION COUNTIES**

**FINANCIAL AUDIT**  
**(In Accordance with the Single Audit Act and OMB Circular A-133)**  
**For The Year Ended June 30, 2013**

	<b>FY 2013</b>	<b>FY 2012</b>
<b>TOTAL REVENUES</b>	\$1,844,084	\$2,316,871
Local Sources	\$115,376	\$174,326
% of Total Revenues	6.26%	7.52%
State Sources	\$1,026,170	\$1,369,465
% of Total Revenues	55.65%	59.11%
Federal Sources	\$702,538	\$773,080
% of Total Revenues	38.10%	33.37%
<b>TOTAL EXPENDITURES</b>	\$1,918,259	\$2,095,293
Salaries and Benefits	\$1,245,823	\$1,241,519
% of Total Expenditures	64.95%	59.25%
Purchased Services	\$235,566	\$283,065
% of Total Expenditures	12.28%	13.51%
All Other Expenditures	\$436,870	\$570,709
% of Total Expenditures	22.77%	27.24%
<b>TOTAL NET POSITION</b>	\$2,938,453	\$3,012,628
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$87,904	\$114,736
Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Janet Ulrich Currently: Honorable Janet Ulrich

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **INADEQUATE MONITORING OF COLLATERAL ON DEPOSITS**

**The Regional Office of Education #2 did not have adequate monitoring of collateral on deposits.**

The Public Funds Deposit Act (30 ILCS 225/1) 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 #2's name. In addition, prudent business practice requires that all cash and investments held by financial institutions for the Regional Office be adequately covered by depository insurance or collateral.

As of June 30, 2013, cash account balances with one bank exceeded Federal Deposit Insurance Corporation (FDIC) coverage and pledged collateral by \$330,827. Failure to secure full collateral on cash and investment balances may result in monetary losses to the Regional Office.

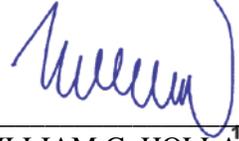
The Regional Office of Education #2 personnel stated the uninsured deposits at year-end were the result of the Regional Office being unaware of \$348,844 in redemptions occurring on one of the securities pledged to the Regional Office that had an original par value of \$600,000.

The auditors recommended that the Regional Office of Education #2 should strengthen controls to ensure that market value of amounts pledged by the bank exceeds the amount not covered by FDIC insurance.

The Regional Office of Education #2 responded that it agrees with the finding. The ROE noted that this situation occurred because the bank holding the securities did not notify the Regional Office when the value of one of the pledged securities was greatly reduced due to early redemptions which resulted in the uncollateralized cash balance. The ROE stated that to ensure this situation will not occur again, it will be reducing its bank account balances by opening more bank accounts of less than \$250,000, the FDIC insurance coverage limit. Procedures will then be in place to ensure that no bank will have more than the amount covered by FDIC insurance at any time.

**AUDITORS' OPINION**

Our auditors state the Regional Office of Education #2's financial statements as of June 30, 2013 are fairly presented in all material respects.



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WILLIAM G. HOLLAND  
Auditor General

WGH:JRB

AUDITORS ASSIGNED: Doehring, Winders, & Co. LLP  
were our special assistant auditors.