



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

William G. Holland, Auditor General

---

**SUMMARY REPORT DIGEST**

---

**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, 2012  
Release Date: April 25, 2013**

**Summary of Findings:**  
**Total this audit: 1**  
**Total last audit: 5**  
**Repeated from last audit: 1**

**SYNOPSIS**

- The Regional Office of Education #2 did not have sufficient internal controls over the financial reporting process.

{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, 2012**

|   | <b>FY 2012</b>           | <b>FY 2011</b> |
|---|--------------------------|----------------|
| <b>TOTAL REVENUES</b>   | \$2,316,871              | \$2,594,504    |
| Local Sources   | \$174,326                | \$166,376      |
| % of Total Revenues   | 7.52%                    | 6.41%          |
| State Sources   | \$1,369,465              | \$1,334,306    |
| % of Total Revenues   | 59.11%                   | 51.43%         |
| Federal Sources   | \$773,080                | \$1,093,822    |
| % of Total Revenues   | 33.37%                   | 42.16%         |
| <b>TOTAL EXPENDITURES</b>   | \$2,095,293              | \$2,244,142    |
| Salaries and Benefits   | \$1,241,519              | \$1,236,356    |
| % of Total Expenditures   | 59.25%                   | 55.09%         |
| Purchased Services  | \$283,065                | \$391,671      |
| % of Total Expenditures   | 13.51%                   | 17.45%         |
| All Other Expenditures  | \$570,709                | \$616,115      |
| % of Total Expenditures   | 27.24%                   | 27.45%         |
| <b>TOTAL NET ASSETS</b>   | \$3,012,628 <sup>1</sup> | \$2,784,299    |
| <b>INVESTMENT IN CAPITAL ASSETS</b>   | \$114,736                | \$135,955      |
| <sup>1</sup> Includes a \$6,751 restatement to the FY12 beginning net asset balance due to a prior period adjustment.<br>Percentages may not add due to rounding. |                          |                |

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

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

**CONTROLS OVER FINANCIAL STATEMENT  
PREPARATION**

**The Regional Office of Education #2 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #2 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 #2 did not have sufficient internal controls over the financial reporting process. While the Regional Office maintains controls over the processing of most accounting transactions, there were 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.

Auditors, in their review of accounting records, noted the following:

- The Regional Office did not have adequate controls over the maintenance of complete records of accounts receivable and deferred revenue. While the Regional Office maintained records to indicate the balances of accounts receivable and deferred revenue, most, but not all entries were made by the Regional Office to record accounts receivable and deferred revenue.
- The Regional Office's financial information required some significant adjusting entries to present the financial statements in accordance with generally accepted accounting principles.

According to Regional Office officials, the conditions noted above were due to inadvertent oversight. (Finding 12-01, pages 11-12) **This finding was first reported in 2007.**

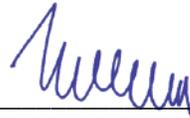
The auditors recommended that, as part of internal control over the preparation of financial statements, including disclosures, the Regional Office of Education #2 should

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 #2 responded that it agrees with the finding. The Regional Office noted that it has hired a CPA to review its books and prepare its financial statements. This CPA has worked with the auditors for the FY12 audit and now understands more fully what is needed of him to meet this requirement. The ROE stated that due to limited funding for the office, a full-time CPA is not an option. (For previous Regional Office response, see Digest Footnote #1.)

#### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #2's financial statements as of June 30, 2012 are fairly presented in all material respects.



---

WILLIAM G. HOLLAND  
Auditor General

WGH:JRB

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

#### **DIGEST FOOTNOTE**

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

In its prior response in 2011, the Regional Office of Education #2 responded that it agrees with the finding. The Regional Office noted that it has hired a CPA to review its books and prepare its financial statements, but due to limited funding for the office, a full-time CPA is not an option.