



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #21**  
**FRANKLIN, JOHNSON, MASSAC AND WILLIAMSON COUNTIES**

FINANCIAL AUDIT  
 For the Year Ended: June 30, 2020

Release Date: March 31, 2021

FINDINGS THIS AUDIT: 2	AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since 2017
Category 1:	1	1	2	20-1
Category 2:	0	0	0	
Category 3:	0	0	0	
<b>TOTAL</b>	<b>1</b>	<b>1</b>	<b>2</b>	
FINDINGS LAST AUDIT: 2				

**SYNOPSIS**

- **(20-1)** The Regional Office of Education #21 lacked sufficient internal controls over the financial reporting process.
- **(20-2)** The Regional Office of Education #21 had inadequate internal control procedures.

**Category 1:** Findings that are **material weaknesses** in internal control and/or a **qualification** on compliance with State laws and regulations (material noncompliance).  
**Category 2:** Findings that are **significant deficiencies** in internal control and/or **noncompliance** with State laws and regulations.  
**Category 3:** Findings that have **no internal control issues but are in noncompliance** with federal and/or State laws and regulations.

**REGIONAL OFFICE OF EDUCATION #21**  
**FRANKLIN, JOHNSON, MASSAC AND WILLIAMSON COUNTIES**

**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2020**

	<b>FY 2020</b>	<b>FY 2019</b>
<b>TOTAL REVENUES</b>	\$3,605,376	\$3,481,286
Local Sources	\$1,236,105	\$1,019,738
% of Total Revenues	34.29%	29.29%
State Sources	\$1,851,835	\$1,738,745
% of Total Revenues	51.36%	49.95%
Federal Sources	\$517,436	\$722,803
% of Total Revenues	14.35%	20.76%
<b>TOTAL EXPENDITURES</b>	\$2,584,581	\$2,650,136
Salaries and Benefits	\$1,606,337	\$1,575,160
% of Total Expenditures	62.15%	59.44%
Purchased Services	\$398,117	\$344,156
% of Total Expenditures	15.40%	12.99%
All Other Expenditures	\$580,127	\$730,820
% of Total Expenditures	22.45%	27.58%
<b>TOTAL NET POSITION</b>	(\$1,430,409)	(\$2,451,204)
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$51,192 <sup>1</sup>	\$35,654
<sup>1</sup> Capital asset amounts include debt associated with a capital lease.		
Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Lorie LeQuatte Currently: Honorable Lorie LeQuatte

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

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

**The Regional Office of Education #21 lacked sufficient internal controls over the financial reporting process.**

The Regional Office of Education #21 (ROE) lacked sufficient internal controls over the financial reporting disclosure process. The ROE maintained its accounting records on the cash basis of accounting during the fiscal year and posted year end accrual entries for audit purposes. While the ROE maintained controls over the processing of most accounting transactions, including providing information for several reconciling items between the governmental fund financial statements and the statement of net position and statement of activities, there were not sufficient controls over the preparation of generally accepted accounting principles (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.

The ROE is required to maintain a system of controls over the preparation of financial statements in accordance with 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).

During review of the financial information prepared by the ROE, it was noted that the ROE did not have adequate controls over the maintenance of complete records of accounts receivable and unavailable revenue. While the ROE did maintain records to indicate the balances of accounts receivable and unavailable revenue, a misstatement was noted during the audit process that required a material adjustment to the accounts receivable and unavailable revenue within the Education Fund.

Regional Office management indicated the accounting staff is still in the process of obtaining training over applicable GAAP and GASB pronouncements, specifically the new GASB Statements requiring extensive disclosures and additional reporting requirements. (Finding 20-001, pages 11 – 12) **This finding was first reported in 2017.**

The auditors recommended as part of its internal control over the preparation of financial statements, including disclosures, the ROE should continue to implement comprehensive preparation and/or review procedures to ensure that the

financial statements, including disclosures, are complete and accurate. Such procedures should be performed by an individual(s) possessing a thorough understanding of applicable GAAP, GASB pronouncements, and knowledge of the ROE's activities and operations.

**ROE Response:** *The Regional Office will continue to secure services of an accounting firm to assist with the preparation of the financial statements as well as implement additional review of the accounts receivable and unavailable revenue preparations.*

## **INADEQUATE INTERNAL CONTROL PROCEDURES**

### **The Regional Office of Education #21 had inadequate internal control procedures.**

The Regional Office of Education #21 (ROE) did not have sufficient internal controls over its cash disbursement process. Auditors noted the individual that records transactions within the accounting system and prepares bank reconciliations also has the ability to prepare and generate checks with the Regional Superintendent's electronic signature. Checks were written bearing the Regional Superintendent's electronic signature prior to the Regional Superintendent's documented (manual) approval on the payment authorization form required for all invoices. Due to the process in place, two checks were issued and later determined not to be legitimate expenses of the ROE.

The ROE is required to establish and maintain a system of internal controls over disbursements and reporting to prevent errors and fraud. This includes maintaining a review and approval process over all disbursements issued during the fiscal year.

Regional Office management indicated that due to the COVID-19 pandemic, modifications to the internal control process were made for employees unable to work at the Regional Office. The internal control process was modified to include the Regional Superintendent's approval through email correspondence with the formal documentation completed when individuals were onsite. The ability to generate electronic signatures was established with the implementation of a new accounting system. (Finding 20-002, pages 13 – 14)

The auditors recommended as part of its internal control over the cash disbursement process, the ROE should implement and monitor its internal controls to ensure no one individual has access to all steps of the accounting process. The ROE should make sure that all checks have the appropriate documented review and approval before issued.

**ROE Response:** *The ROE will review and revise the system of internal controls to include additional separation of duties as well as appropriate crisis operating standards.*

**AUDITORS' OPINION**

Our auditors state the Regional Office of Education #21's financial statements as of June 30, 2020 are fairly presented in all material respects.

This financial audit was conducted by the firm of Sikich LLP.

**SIGNED ORIGINAL ON FILE**

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MICHAEL PAONI  
Division Assistant Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

FJM:RSH