



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #24**  
**GRUNDY AND KENDALL COUNTIES**

**FINANCIAL AUDIT**  
**For the Year Ended: June 30, 2019**

**Release Date: September 17, 2020**

| FINDINGS THIS AUDIT: 4        |              |                 |                | AGING SCHEDULE OF REPEATED FINDINGS |            |            |            |
|-------------------------------|--------------|-----------------|----------------|-------------------------------------|------------|------------|------------|
|                               |              |                 |                | Repeated Since                      | Category 1 | Category 2 | Category 3 |
| <b>Category 1:</b>            | <u>New</u> 2 | <u>Repeat</u> 1 | <u>Total</u> 3 | 2018                                |            |            | 19-2       |
| <b>Category 2:</b>            | 0            | 0               | 0              | 2017                                | 19-3       |            |            |
| <b>Category 3:</b>            | 0            | 1               | 1              |                                     |            |            |            |
| <b>TOTAL</b>                  | 2            | 2               | 4              |                                     |            |            |            |
| <b>FINDINGS LAST AUDIT: 3</b> |              |                 |                |                                     |            |            |            |

**SYNOPSIS**

- **(19-1)** The Regional Office of Education #24 did not have proper documentation for salaries and benefits.
- **(19-2)** The Regional Office of Education #24 did not provide completed financial statements in an auditable form by the August 31 deadline.
- **(19-3)** The Regional Office of Education #24 had inadequate census data for Illinois Municipal Retirement Fund employees.
- **(19-4)** The Regional Office of Education #24 did not have sufficient internal controls over the financial reporting process.

**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 #24**  
**GRUNDY AND KENDALL COUNTIES**

**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2019**

|  | <b>FY 2019</b>         | <b>FY 2018</b> |
|--|------------------------|----------------|
| <b>TOTAL REVENUES</b>  | \$2,644,523            | \$2,585,612    |
| Local Sources  | \$262,370              | \$335,818      |
| % of Total Revenues  | 9.92%                  | 12.99%         |
| State Sources  | \$2,234,575            | \$2,074,945    |
| % of Total Revenues  | 84.50%                 | 80.25%         |
| Federal Sources  | \$147,578              | \$174,849      |
| % of Total Revenues  | 5.58%                  | 6.76%          |
| <b>TOTAL EXPENDITURES</b>  | \$3,085,698            | \$2,552,154    |
| Salaries and Benefits  | \$1,871,250            | \$1,709,688    |
| % of Total Expenditures  | 60.64%                 | 66.99%         |
| Purchased Services   | \$356,472              | \$296,312      |
| % of Total Expenditures  | 11.55%                 | 11.61%         |
| All Other Expenditures   | \$857,976              | \$546,154      |
| % of Total Expenditures  | 27.80%                 | 21.40%         |
| <b>TOTAL NET POSITION</b>  | \$774,681              | \$1,215,856    |
| <b>INVESTMENT IN CAPITAL ASSETS</b>  | \$180,875 <sup>1</sup> | \$291,712      |
| <sup>1</sup> Capital asset amounts include debt associated with a long-term operating lease.<br><br>Percentages may not add due to rounding. |                        |                |

| <b>REGIONAL SUPERINTENDENT</b>   |
|--|
| During Audit Period: Honorable Christopher Mehochko<br>Currently: Honorable Christopher Mehochko |

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **SALARIES AND BENEFITS NOT SUPPORTED BY PROPER DOCUMENTATION**

**The Regional Office of Education #24 did not have proper documentation for salaries and benefits.**

The Regional Office of Education #24 (ROE) did not have any supporting documentation for salaried employees who worked solely on a single grant. Only hourly employees and those paid out of multiple grants were required to complete timesheets.

*The Illinois State Board of Education State and Federal Grant Administration Policy, Fiscal Requirements, and Procedures* requires periodic certifications from employees who work solely on a single grant or cost objective to support the charges for their salaries and benefits. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having firsthand knowledge of the work performed by the employee.

Regional Office officials indicated they were aware of the requirement mentioned above. They simply forgot to adjust their timesheets to meet the requirement. (Finding 19-001, page 11)

The auditors recommended the ROE require certifications for employees who work solely on a single grant at least semiannually to support salary and benefit costs.

**ROE Response:** *This requirement has been communicated to the appropriate personnel and a process and procedure has already been implemented.*

### **DELAY OF AUDIT**

**The Regional Office of Education #24 did not provide completed financial statements in an auditable form by the August 31 deadline.**

The Regional Office of Education #24 (ROE) did not provide completed financial statements in an auditable form by the August 31 deadline. The preliminary draft was provided to the auditors on March 9, 2020.

The ROE is subject to 105 ILCS 5/2-3.17a which requires the Auditor General's office to cause an audit to be made, as of June 30<sup>th</sup> of each year, of the financial statements of all accounts, funds and other moneys in the care, custody or control of the regional superintendent of schools of each educational service region in the State and of each educational service center established in the School Code. The audit is to be conducted in accordance with Generally Accepted Governmental Auditing Standards (GAGAS).

In accordance with 105 ILCS 5/2-3.17a, the Auditor General has promulgated administrative rules and regulations to

govern this process. Those rules, 74 Ill. Adm. Code 420.320 (c) (2), state that for audit purposes, each regional office of education and educational service center shall make available to the Auditor General or his designee all books and records deemed necessary to make and complete the required audits. The records shall be in auditable form by August 15 of the succeeding fiscal year. Financial reports are to be available no later than August 31 in order for the annual audit to be completed by an independent auditor selected by the Auditor General. Annual financial statements are to be prepared on an accrual basis of accounting in accordance with generally accepted accounting principles (GAAP).

In addition, prudent business practices and transparency require timely preparation and completion of financial statements.

Regional Office officials indicated they contracted with a local CPA firm to assist them with preparing their financial statements. The ROE submitted the necessary information to the local CPA shortly after the August 31 deadline. The ROE then worked with the local CPA firm's timeline to finalize the financial statements. (Finding 19-002, pages 12-13)

The auditors recommended the ROE should implement procedures to ensure compliance with 105 ILCS 5/2-3.17a and 74 Ill. Adm. Code 420.320 (c) (2). Annual financial statements should be compiled on an accrual basis of accounting in accordance with GAAP. These financial statements need to be presented to the Auditor General's independent auditors for audit by the August 31 deadline.

**ROE Response:** *The ROE has addressed this issue and has hired a part time bookkeeper to help speed up the response. The ROE has contracted with the same local CPA Firm to prepare FY20 Financial Statements that prepared financial statements for FY19. The ROE is hopeful that a consistent working relationship will help speed up the process of the financial preparation.*

#### **INADEQUATE CENSUS DATA FOR ILLINOIS MUNICIPAL RETIREMENT FUND EMPLOYEES**

**The Regional Office of Education #24 had inadequate census data for Illinois Municipal Retirement Fund employees.**

During the audit of the Regional Office of Education #24 (ROE), auditors noted the actuarially determined pension report for the ROE Illinois Municipal Retirement Fund (IMRF) had census data that could not be confirmed as reasonably accurate.

Management is responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to error or fraud. Management of cost-sharing and agent employer plans are

also responsible for the preparation and fair presentation of the financial statements in accordance with the applicable financial reporting framework, including completeness and accuracy of census data.

According to Regional Office officials, a local special education cooperative (cooperative) and the ROE previously paid IMRF contributions using the same IMRF employer number. This arrangement was agreed upon several years ago by previous governing bodies. Upon the cooperative obtaining its own employer number in June of 2016, IMRF, with cooperation from the ROE, transferred the active employees of the cooperative to the new employer number. However, it cannot be determined at this time if the inactive and retired employees of the cooperative have been properly transferred to the new IMRF employer. (Finding 19-003, page 14)

The auditors recommended the ROE should work with IMRF to determine all employees associated with the ROE's IMRF account are actually employees of the ROE.

**ROE Response:** *The Regional Office has, and continues to, work with IMRF regarding this finding.*

## **CONTROLS OVER FINANCIAL STATEMENT PREPARATION**

### **The Regional Office of Education #24 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #24 (ROE) did not have sufficient internal controls over the financial reporting process. The ROE maintained its accounting records on the cash basis of accounting during the fiscal year and posted year-end accrual entries for financial statement purposes. While the ROE maintained controls over the processing of most accounting transactions, 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. The ROE's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills and experience to prepare GAAP basis financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

During review of the ROE's financial information prepared by the ROE, auditors noted the ROE's financial information required material adjusting entries in order to present its financial statements in accordance with GAAP. Through inquiries and discussions with the ROE's accounting personnel and Regional Superintendent, auditors noted that the

ROE did not have adequate controls to record and report the ROE's financial information in accordance with GAAP. Proposed adjusting entries were approved and accepted by Regional Office management.

Regional Office management indicated their personnel had complications converting financial statements from a cash basis to accrual basis in a timely manner. (19-004, pages 15-16)

The auditors recommended that as part of internal control over the preparation of financial statements, the ROE should implement comprehensive preparation procedures to ensure that the financial statements are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of the ROE's activities and operations.

**ROE Response:** *The ROE has addressed this issue and has hired a part time bookkeeper to help speed up our response. In addition, the county of Grundy has hired a licensed CPA to assist with their finances and the ROE will use that person as a training source for their staff. Lastly, the ROE has contracted with the same local CPA Firm to prepare FY20 Financial Statements that prepared financial statements for FY19. The ROE is hopeful that a consistent working relationship will help speed up the process of financial preparation.*

#### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #24's financial statements are fairly presented in all material respects, except for the effect of not recognizing or disclosing Illinois Municipal Retirement Fund pension activity in the governmental activities as of June 30, 2019.

This financial audit was conducted by the firm of West & Company, LLC.

**SIGNED ORIGINAL ON FILE**

JOE BUTCHER  
Division Director

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

**SIGNED ORIGINAL ON FILE**

FRANK J. MAUTINO  
Auditor General

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