



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #32**  
**IROQUOIS AND KANKAKEE COUNTIES**

FINANCIAL AUDIT (In Accordance with the Uniform  
 Guidance)  
 For the Year Ended: June 30, 2022

Release Date: May 10, 2023

FINDINGS THIS AUDIT: 1				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	2019		22-1	
Category 1:	0	0	0				
Category 2:	0	1	1				
Category 3:	0	0	0				
TOTAL	0	1	1				
FINDINGS LAST AUDIT: 1							

**SYNOPSIS**

- (22-1) The Regional Office of Education #32 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 #32**  
**IROQUOIS AND KANKAKEE COUNTIES**

**FINANCIAL AUDIT**  
**(In Accordance with the Uniform Guidance)**  
**For The Year Ended June 30, 2022**

	<b>FY 2022</b>	<b>FY 2021</b>
<b>TOTAL REVENUES</b>	\$4,137,812	\$3,806,259
Local Sources	\$1,047,888	\$873,774
% of Total Revenues	25.32%	22.96%
State Sources	\$2,244,875	\$2,142,661
% of Total Revenues	54.25%	56.29%
Federal Sources	\$845,049	\$789,824
% of Total Revenues	20.42%	20.75%
<b>TOTAL EXPENDITURES</b>	\$3,456,428	\$3,195,313
Salaries and Benefits	\$2,738,685	\$2,507,891
% of Total Expenditures	79.23%	78.49%
Purchased Services	\$400,377	\$366,391
% of Total Expenditures	11.58%	11.47%
All Other Expenditures	\$317,366	\$321,031
% of Total Expenditures	9.18%	10.05%
<b>TOTAL NET POSITION</b>	\$6,431,700 <sup>1</sup>	\$5,300,573
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$75,668	\$24,098
<sup>1</sup> The FY 2022 beginning net position was restated by \$449,743 due to a change in accounting principle from generally accepted accounting principles (GAAP) basis to the modified cash basis of accounting.  Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Dr. Gregg Murphy Currently: Honorable Frank Petkunas

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**CONTROLS OVER FINANCIAL STATEMENT  
PREPARATION**

**The Regional Office of Education #32 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #32 (ROE) did not have sufficient internal controls over the financial reporting process. During review of the ROE's financial information, it was noted the ROE did not have adequate controls to ensure financial statement balances were accurate. While the ROE did maintain records to indicate the balances of financial statement accounts, material audit adjustments were proposed in order to ensure those balances were accurate for the basis of accounting selected for financial statement presentation. The ROE implemented Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, for Fiscal Year 2022. The ROE erroneously identified and recorded a lease contract that does not qualify as a lease under GASB Statement No. 87, requiring an adjustment to report accurate balances.

The ROE subsequently revised its financial statements to correct the errors noted above.

The School Code (105 ILCS 5/2-3.17a) allows a Regional Office of Education or Educational Service Center to utilize a cash basis, modified cash basis, or generally accepted accounting principles (GAAP) basis of accounting to prepare the financial statements for audit. The ROE has chosen to utilize the modified cash basis of accounting for financial statement reporting. The ROE is required to maintain a system of controls over the preparation of financial statements in accordance with its selected basis of accounting.

The ROE's internal controls over financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare financial statements and include all related disclosures as required by the GASB. GASB Statement No. 87, *Leases*, provides guidance regarding properly identifying lease contracts and determining contracts that qualify as a lease under GASB Statement No. 87.

Regional Office management indicated when the new standard was implemented, they did not timely and effectively detect all material adjustments needed in order to present financial statements in accordance with modified cash basis of accounting. (Finding 22-01, pages 13 – 14) **This finding was first reported in 2019.**

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

disclosures, are complete and accurate. These procedures should be performed by a properly trained individual(s) possessing a thorough understanding of the basis of accounting selected for financial statements, GASB pronouncements, and knowledge of the ROE's activities and operations.

**ROE Response:** *While the ROE No. 32's management does agree that the financial statement balances that were initially presented were not accurate as related to GASB Statement No. 87, it is important to emphasize that it was the ROE No. 32's management that detected the misstatement on February 8, 2023, and brought it to the attention of the auditors at that time. An adjustment was then recorded to correct the financial statements.*

### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #32's financial statements as of June 30, 2022 are fairly presented in all material respects.

This financial audit was conducted by the firm of Roth & Co., LLP.

**SIGNED ORIGINAL ON FILE**

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JOE BUTCHER  
Division 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:JRB