STATE OF ILLINOIS
OFFICE OF THE
AUDITOR GENERAL
Christopher B. Meister, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #44
MCHENRY COUNTY

FINANCIAL AUDIT
For the Year Ended: June 30, 2025

Release Date: July 22, 2026

FINDINGS THIS AUDIT: 4				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	2	2	2018			25-4
Category 2:	1	0	1	2023	25-1		
Category 3:	0	1	1	2024	25-2		
TOTAL	1	3	4				
FINDINGS LAST AUDIT: 4							

SYNOPSIS

- (**25-1**) The Regional Office of Education #44 did not have sufficient internal controls over financial statement preparation.
- (**25-2**) The Regional Office of Education #44 had uninsured and uncollateralized deposits.
- (**25-3**) The Regional Office of Education #44 had inadequate internal control procedures.
- (25-4) The Regional Office of Education #44 did not provide completed financial statements in an auditable form by the August 31 deadline.

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 #44
MCHENRY COUNTY

FINANCIAL AUDIT
For The Year Ended June 30, 2025

	FY 2025	FY 2024
TOTAL REVENUES	$2,604,278	$3,521,090
Local Sources	$773,712	$1,853,471
% of Total Revenues	29.71%	52.64%
State Sources	$1,820,214	$1,573,856
% of Total Revenues	69.89%	44.70%
Federal Sources	$10,352	$93,763
% of Total Revenues	0.40%	2.66%
TOTAL EXPENDITURES	$2,173,318	$2,670,752
Salaries and Benefits	$1,487,578	$1,032,287
% of Total Expenditures	68.45%	38.65%
Purchased Services	$606,310	$764,436
% of Total Expenditures	27.90%	28.62%
All Other Expenditures	$79,430	$874,029
% of Total Expenditures	3.65%	32.73%
TOTAL NET POSITION	$2,061,016	$1,630,056
INVESTMENT IN CAPITAL ASSETS	$27,252	$30,412
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Diana Hartmann Currently: Honorable Diana Hartmann

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #44 did not have sufficient internal controls over financial statement preparation.

The Regional Office of Education #44 (ROE) did not have sufficient internal controls over the financial reporting process. While the ROE maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the financial statements for management or employees in the normal course of performing their assigned functions to prevent, or detect and correct, financial statement misstatements and disclosure omissions in a timely manner.

During our review of the ROE's financial information, we noted the ROE improperly reported all Institute Fund related revenue and expenditure activity under the General Fund on the financial statements. As of the testing date, the ROE was unable to determine the appropriate amounts to be reclassified from the General Fund to the Institute Fund.

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 financial statements for audit. The ROE has chosen to utilize the modified cash basis of accounting for financial 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 School Code 105 ILCS 5/3-12 states that all license registration fees and a portion of renewal and duplicate fees shall be kept by the regional superintendent as described in Section 21-16 or 21B-40 of this Code, together with a record of the names of the persons paying them. Such fees shall be deposited into the institute fund and shall be used by the regional superintendent to defray expenses associated with the work of the regional professional development review committees established pursuant to paragraph (2) of subsection (g) of Section 21-14 of this Code to advise the regional superintendent, upon his or her request; to defray expenses connected with improving the technology necessary for the efficient processing of licenses; to defray all costs associated with the administration of teaching licenses; to defray expenses incidental to teachers' institutes, workshops or meetings of a professional nature that are designed to promote the professional growth of teachers or for the purpose of defraying the expense of any general or special meeting of teachers or school personnel of the region, which has been approved by the regional superintendent.

Regional Office officials indicated the exceptions noted above were due to a misinterpretation of the proper financial reporting of the related transactions. (**Finding 25-001, pages 11-12) This finding was first reported in 2023.**

The auditors recommended that the ROE should implement comprehensive preparation and/or review procedures as part of their 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: *All Institute Fund-related revenue and expenditure activity will be properly reported within the Institute Fund going forward. Prior period adjustments, if necessary, will also be made for incorrect reporting in prior years.*

UNINSURED AND UNCOLLATERALIZED DEPOSITS

The Regional Office of Education #44 had uninsured and uncollateralized deposits.

The Regional Office of Education #44 (ROE) did not adequately perform formal monitoring procedures of its bank accounts to ensure that cash balances maintained at various financial institutions were fully secured and collateralized. The ROE has three financial institutions with bank balances totaling $2,340,838 as of June 30, 2025, of which $631,067 was uninsured or uncollateralized.

The ROE is required to follow the Illinois Public Funds Investment Act (30 ILCS 235/6 (d)) (Act). The Act gives the authorization for deposits in excess of the federally insured limit to be covered by pledged collateral held by the financial institution's trust departments in the ROE's name. In addition, prudent business practice requires that all cash and investments held by the financial institutions for the ROE be adequately covered by depository insurance or collateral.

Regional Office officials indicated competing priorities prevented them from monitoring the adequacy of the level of the collateral. (**Finding 25-002, page 13)**

The auditors recommended the ROE should regularly monitor balances held with financial institutions and secure sufficient pledged collateral. The ROE should ensure the value of collateral remains adequate for the balance of the ROE's accounts according to the agreement in place.

ROE Response: *The ROE will move funds to a banking institution that provides the necessary collateral.*

INADEQUATE INTERNAL CONTROL PROCEDURES

The Regional Office of Education #44 had inadequate internal control procedures.

The Regional Office of Education #44 (ROE) had inadequate internal control procedures. Auditors noted the following deficiencies in the ROE's internal control system for which there were no mitigating controls:

- One of two (50%) payroll reports were missing the date of when the report was reviewed and approved by the Regional Superintendent, therefore we were unable to determine whether the report was properly reviewed before the payroll was processed.

- Eleven of 48 (23%) monthly bank reconciliations were missing the prepared by and date information, therefore we were unable to determine whether the bank reconciliations were prepared timely.

The Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system over accounting transactions to prevent errors and fraud.

ROE management indicated the exceptions noted in the internal controls were due to schedule and timing conflicts. (**Finding 25-003, pages 14-15)**

The auditors recommended the ROE should ensure supporting documentation for receipt transactions are properly maintained; receipts have a documented received date to ensure timely deposits; and bank reconciliations for all bank accounts are performed timely with documentation of date performed.

ROE Response: *The ROE accounting system has been transferred to a new accounting software that provides reports noting completed dates for all bank reconciliations. All bank reconciliations are completed by the outside accountant. All payrolls are approved by the Regional Superintendent before payroll is processed. This approval is done via email each pay run; therefore, dates are appropriately documented.*

DELAY OF AUDIT

The Regional Office of Education #44 did not provide completed financial statements in an auditable form by the August 31 deadline.

The Regional Office of Education #44 (ROE) did not provide complete financial statements in an auditable form by August 31, 2025. The preliminary financial statements provided on February 13, 2026, required revisions and the updated financial statements were provided on March 2, 2026.

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 30th 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 Government Auditing Standards. The ROE may 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 the modified cash basis of accounting for financial reporting.

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.

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

ROE management indicated the delay was due to the additional time needed to ensure that any adjustments from Fiscal Year 2024 would have been properly considered in finalizing the Fiscal Year 2025 financial statements. (**Finding 25-004, pages 16-17) This finding was first reported in 2018.**

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). These financial statements need to be presented to the Auditor General's independent auditors for audit by the August 31 deadline.

ROE Response: *Financial statements will be provided in an auditable form by the required due dates going forward.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #44's financial statements as of June 30, 2025 are fairly stated in all material respects.

This financial audit was conducted by the firm of Adelfia LLC.

SIGNED ORIGINAL ON FILE

TRICIA WAGNER
Division Director

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

SIGNED ORIGINAL ON FILE

CHRISTOPHER B. MEISTER
Auditor General

CBM:JRB