



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #40
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES

FINANCIAL AUDIT (In Accordance with the
 Uniform Guidance)
 For the Year Ended: June 30, 2024

Release Date: March 30, 2026

FINDINGS THIS AUDIT: 5				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	2	2	2023	24-5		
Category 2:	0	1	1	2022		24-4	
Category 3:	0	2	2	2021	24-2		24-1, 24-3
TOTAL	0	5	5				
FINDINGS LAST AUDIT: 5							

SYNOPSIS

- (24-1) The Regional Office of Education #40 did not provide completed financial statements in an auditable form by the August 31 deadline.
- (24-2) The Regional Office of Education #40 had inadequate controls over bank reconciliations.
- (24-3) The Regional Office of Education #40 did not comply with grant reporting requirements.
- (24-4) The Regional Office of Education #40 had inadequate controls over payroll.
- (24-5) The Regional Office of Education #40 had inadequate control over financial statement preparation.

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 #40
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES

FINANCIAL AUDIT
(In Accordance with the Uniform Guidance)
For The Year Ended June 30, 2024

	FY 2024	FY 2023
TOTAL REVENUES	\$4,301,615	\$2,736,208
Local Sources	\$487,744	\$454,860
% of Total Revenues	11.34%	16.62%
State Sources	\$2,921,038	\$1,032,604
% of Total Revenues	67.91%	37.74%
Federal Sources	\$892,833	\$1,248,744
% of Total Revenues	20.76%	45.64%
TOTAL EXPENDITURES	\$4,358,986	\$2,480,624
Salaries and Benefits	\$1,552,492	\$1,279,262
% of Total Expenditures	35.62%	51.57%
Purchased Services	\$2,709,781	\$1,101,755
% of Total Expenditures	62.17%	44.41%
All Other Expenditures	\$96,713	\$99,607
% of Total Expenditures	2.22%	4.02%
TOTAL NET POSITION	\$371,400 ¹	\$407,528
INVESTMENT IN CAPITAL ASSETS	\$0	\$0
¹ The FY24 beginning net position was restated by \$21,243 as a result of a prior period error correction. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Michelle Mueller Currently: Honorable Michelle Mueller

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

DELAY OF AUDIT

The Regional Office of Education #40's audit was delayed significantly due to issues that the Regional Office of Education was trying to resolve with the June 30, 2023 financial statements.

The Regional Office of Education #40 (ROE) did provide completed financial statements in an auditable form by the August 31 deadline. However, the audit was delayed significantly due to issues that the Regional Office of Education was trying to resolve with the June 30, 2023 financial statements.

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 Regional Office of Education or Educational Service Center 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 utilizes the cash basis of accounting for financial statement 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.

Regional Office management indicated due to the FY23 audit being delayed, the FY24 audit was not completed in a timely manner. (Finding 2024-001, pages 15A-15B) **This finding was first reported in 2021.**

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, on the cash basis of accounting, or on the modified cash basis of accounting. These financial statements need to be presented to the Auditor General's independent auditors for audit by the August 31 deadline and the Regional Office of Education should reply timely to all audit requests.

ROE Response: *The ROE will implement procedures to ensure compliance with 105 ILCS 5/2-3.17a and 74 Ill. Adm. Code 420.320 (c) (2). Future financial statements will be presented to the Auditor General's independent auditors for audit by the August 31 deadline. The ROE will reply to the auditor's requests in a timely manner.*

CONTROLS OVER CASH

The Regional Office of Education #40 had inadequate controls over bank reconciliations.

The Regional Office of Education #40 (ROE) had inadequate controls over bank reconciliations. Monthly bank reconciliations had significant unexplained variances and were not completed timely. The bank reconciliations for fiscal year 2024 were not completed accurately until the hired CPA firm helped prepare the 6/30/24 reconciliation while closing the books. The 6/30/24 bank reconciliation was not prepared until August 29, 2024

Sound internal control requires bank reconciliations to be performed monthly to ensure all transactions have been recorded. The bank reconciliation process should include identifying and correcting all discrepancies between the bank records and the books in a timely manner. Sound internal control over cash also requires bank reconciliations to be completed and reviewed by the appropriate level of management on a monthly basis.

Regional Office management indicated new administrative staff didn't have the necessary training to prepare accurate bank reconciliations on a timely basis. (Finding 2024-002, page 15C) **This finding was first reported in 2021.**

The auditors recommended as part of its internal controls over cash, the ROE should reconcile all bank statements every month and correct any discrepancies in a timely manner. In addition, ROE 40's management should review bank reconciliations and document their review each month after the reconciliation has been completed.

ROE Response: *The ROE will reconcile all bank statements monthly and correct discrepancies in a timely manner. The ROE's management will review and document bank reconciliations monthly.*

GRANT REPORTING NONCOMPLIANCE

The Regional Office of Education #40 (ROE) did not comply with grant reporting requirements.

The Regional Office of Education #40 did not comply with grant reporting requirements.

During the course of the audit, auditors noted that 3 of the 18 (17%) quarterly expenditure reports required by the Illinois State Board of Education (ISBE) were not submitted timely. These three quarterly expenditure reports were submitted 1-30 days late.

Auditors also noted that the 6/30/24 expenditure reports for the ROE/ISC Operations and Regional Safe Schools grants claimed \$5,064 and \$1,950 of expenditures, respectively, prior to the expenditures actually being paid by the ROE. ISBE requires that expenditure reports be prepared on the cash basis of accounting. Therefore, an expenditure should not be submitted for reimbursement prior to the ROE paying for the expenditure.

As a recipient of federal, State, and local funds from various grantor agencies, the ROE must incorporate certain procedures into its operations in order to comply with the grant agreements with these entities.

The ROE is responsible for establishing and maintaining an internal control system over the completion of timely quarterly expenditure reports and budget requirements for grants administered by ISBE. ISBE requires expenditure reports to be filed within 20 days of the applicable end of each quarter.

ISBE requires expenditure reports to be prepared on the cash basis of accounting. The expenditure reports submitted should reconcile directly to the ROE's general ledger and should only include expenditures that have already been paid.

Regional Office management indicated that the ROE inadvertently submitted quarterly expenditure reports late. The ROE did not reconcile the adjusted general ledger amounts to the expenditure reports previously prepared. During the closing process, the ROE's hired CPA firm proposed adjustments, as necessary, to funds that are required to file expenditure reports. Those adjustments resulted in variances between the amounts reported on the expenditure report and the amounts reported in the general ledger. (Finding 2024-003, pages 15D – 15E) **This finding was first reported in 2021.**

The auditors recommended the ROE should implement adequate internal controls to ensure that expenditure reports are submitted timely and to ensure that expenditures reported on the expenditure reports agree to the actual expenditures recorded in the general ledger. The ROE should implement adequate internal controls to ensure that expenditures included on the expenditure reports have been paid by the ROE before the ROE requests reimbursement for the expenditures.

ROE Response: *The ROE will implement adequate internal controls to ensure that expenditure reports are submitted timely and to ensure that expenditures reported on expenditure reports agree with the actual expenditures recorded in the general ledger. The ROE will implement adequate internal controls to ensure that expenditures included on expenditure reports have been paid by the ROE before the ROE requests reimbursement for the expenditures.*

CONTROLS OVER PAYROLL

The Regional Office of Education #40 (ROE) had inadequate controls over payroll. During the course of audit fieldwork, auditors noted the following:

The Regional Office of Education #40 had inadequate controls over payroll.

- The ROE did not use time and effort documentation to distribute salary and benefit costs for employees paid from multiple funding sources. The ROE budgeted amounts at the beginning of the year to allocate payroll expense to each fund; however, the ROE never reconciled the amounts expensed in the general ledger to the employees' submitted timesheets. Therefore, the ROE was unable to determine the reasonableness of the allocation of salaries and benefits amongst federal and State programs.
- For six out of the twenty-four (25%) payroll disbursements tested, the withholding information used to calculate the employees' pay did not agree to the Federal or Illinois Forms W-4 on file. For the federal program, auditors noted for 1 out of the 4 (25%) payroll disbursements tested, the withholding information used to calculate the employee's pay did not agree to the Federal or Illinois Forms W-4 on file.

The ROE is responsible for establishing and maintaining an internal control system over payroll to prevent errors or fraud. In addition, the *Grant Accountability and Transparency Act (GATA)* 30 ILCS 708/1 establishes that State grant programs are subject to the requirements set forth in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Uniform Guidance (2 CFR 200.430) requires charges for salaries and benefits to

be supported by a system of internal controls which provide reasonable assurance that the charges are accurate and properly allocated. It also requires records to be used to support the distribution of employee salaries and benefits among specific activities if the employee works on multiple programs. It further states that budget estimates alone do not qualify as support for salary and benefit expenditures charged to federal and State grants.

The ROE is responsible for calculating payroll taxes and the related withholdings in compliance with requirements of the Internal Revenue Service and the Illinois Department of Revenue.

Regional Office management indicated the ROE's time sheets were not adequate to ensure that wages were properly allocated amongst the various grants. The lack of having the accurate Federal or Illinois Forms W-4 on file was an oversight by the ROE administrative staff. (Finding 2024-004 pages 15F-15G)

The auditors recommended the ROE use time and effort documentation to distribute salary and benefit costs for all employees. We also recommend the ROE implement the necessary controls over payroll to ensure that payroll is being properly prepared and calculated.

ROE Response: *The ROE will use time and effort documentation to distribute salary and benefit costs for all employees. The ROE will implement the necessary controls over payroll to ensure that payroll is being properly prepared and calculated.*

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #40 (ROE) does 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 cash basis financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure errors and omissions in a timely manner.

During review of the ROE's accounting records, auditors noted that the ROE's preliminary financial statements required material adjustments to the cash balance and salary disbursements for the General Fund in order to present the financial statements in accordance with the cash basis of accounting.

The Regional Office of Education #40 had inadequate controls over financial statement preparation.

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 Regional Office of Education No. 40 (ROE) has chosen to utilize the 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.

Regional Office management indicated the ROE does not have a CPA on staff. The ROE staff will work with the hired CPA firm going forward to make sure that the financial statements are complete and accurate. (Finding 2024-05, pages 15H-15I)

The auditors recommended 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: *The ROE has implemented comprehensive preparation procedures to ensure the financial statements are complete and accurate. These procedures will be performed by a properly trained individual possessing a thorough understanding of the applicable accounting principles, GASB pronouncements, and knowledge of the ROE's activities and operations.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #40's financial statements as of June 30, 2024 are fairly presented in all material respects.

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

FRANK J. MAUTINO
Auditor General

FJM:JRB

