



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, 2021

Release Date: July 25, 2023

FINDINGS THIS AUDIT: 5				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	2018			21-1
Category 1:	1	1	2	2017	21-2		
Category 2:	0	0	0				
Category 3:	<u>2</u>	<u>1</u>	<u>3</u>				
TOTAL	3	2	5				
FINDINGS LAST AUDIT: 2							

SYNOPSIS

- **(21-1)** The Regional Office of Education #24 did not provide completed financial statements in an auditable form by the August 31 deadline.
- **(21-2)** The Regional Office of Education #24 had inadequate census data for Illinois Municipal Retirement Fund employees.
- **(21-3)** The Regional Office of Education #24 had inadequate controls over grant compliance.
- **(21-4)** The Regional Office of Education #24 had inadequate monitoring of collateral on deposits.
- **(21-5)** The Regional Office of Education #24 had inadequate controls over cash.

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, 2021

	FY 2021	FY 2020
TOTAL REVENUES	\$2,905,318	\$2,822,780
Local Sources	\$363,120	\$242,992
% of Total Revenues	12.50%	8.61%
State Sources	\$2,316,527	\$2,387,264
% of Total Revenues	79.73%	84.57%
Federal Sources	\$225,671	\$192,524
% of Total Revenues	7.77%	6.82%
TOTAL EXPENDITURES	\$2,945,997	\$2,729,285
Salaries and Benefits	\$1,872,434	\$1,894,753
% of Total Expenditures	63.56%	69.42%
Purchased Services	\$436,058	\$362,978
% of Total Expenditures	14.80%	13.30%
All Other Expenditures	\$637,505	\$471,554
% of Total Expenditures	21.64%	17.28%
TOTAL NET POSITION	\$858,070 ¹	\$868,176
INVESTMENT IN CAPITAL ASSETS	\$122,316	\$171,302
¹ The FY 2021 beginning net position was restated by \$30,573 due to the reclassification of some funds under new reporting requirements for fiduciary funds. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Christopher Mehochko Currently: Honorable Christopher Mehochko

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

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 May 5, 2022. The preliminary draft required multiple adjustments and revisions after Regional Office records were adjusted. The final draft was provided on December 14, 2022.

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 (GAGAS). 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 has chosen to use the GAAP 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.

Regional Office officials indicated prior staff that handled the financials was unable to finalize records in a timely manner. (Finding 21-001, pages 10 – 11) **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: *The Regional Office of Education #24 made changes to staff that handles the financials. A new Business Manager was hired along with an Office Assistant. Those two positions, along with the county paid employee, work together to reconcile all balances, complete payroll, and all other office financial information. The ROE contracts with a CPA Firm to assist them with preparing the financial statements. The new ROE financial team has reconciled financials and is now currently on pace to meet the future deadlines.*

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.

Regional Officials indicated 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 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 21-002, page 12) **This finding was first reported in 2017.**

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 GRANT COMPLIANCE

The Regional Office of Education #24 had inadequate controls over grant compliance.

The Regional Office of Education #24 (ROE) had inadequate controls over grant compliance. Auditors noted that two grants (Regional Safe School and Truants Alternative Optional Education Program) had year-end expenditure reports that did not agree to the trial balance provided to auditors by the ROE. The expenditure reports submitted were for more than the general ledger balance.

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 expenditure reports required for grants administered by the Illinois State Board of Education.

Regional Office officials indicated the new financial team discovered expenditures were classified incorrectly. (Finding 21-003, page 13)

The auditors recommended the ROE should implement adequate internal controls to ensure that year-end expenditure reports match the trial balance.

ROE Response: *The newly established ROE financial team reviews the expenditures on a monthly basis to ensure financial reports match trial balance figures.*

INADEQUATE MONITORING OF COLLATERAL ON DEPOSITS

The Regional Office of Education #24 had inadequate monitoring of collateral on deposits.

The Regional Office of Education #24 (ROE) had inadequate monitoring of collateral on deposits. As of June 30, 2021, the ROE had four cash accounts with bank balances totaling \$666,988 at one financial institution. The Federal Deposit Insurance Corporation (FDIC) covers up to a maximum of \$250,000, and the ROE had pledged securities of \$406,656. The ROE did not have depository insurance or collateral for the remaining \$10,332, an immaterial amount.

The Public Funds Deposit Act (30 ILCS 225/1) gives the ROE the authorization to request financial institutions to pledge collateral for deposits in excess of the federally insured limit. In addition, prudent business practice requires that all cash and investments held by financial institutions for the ROE be adequately covered by depository insurance or collateral.

Regional Office officials indicated the cause of this finding is based on what specific day the auditors check bank deposits and collateralization. (Finding 21-004, page 14)

The auditors recommended the ROE should monitor the bank balances on all accounts and work with the financial institution to provide collateral or enter into an agreement with the financial institution to have the cash balances monitored for adequate collateral periodically and adjusted as necessary.

ROE Response: *Bank officials have provided clarification as to what happened to cause the accounts held in the bank to not be 100% fully collateralized for a brief period of time. Bank officials have changed their procedures to ensure that accounts are 100% collateralized 100% of the time.*

CONTROLS OVER CASH

The Regional Office of Education #24 had inadequate controls over cash.

The Regional Office of Education #24 (ROE) had inadequate controls over cash. Auditors noted that the cash reconciliations were not done properly. The cash balances per the general ledger were not originally compared to the bank balance due to the new software implementation. The revised reconciliation required an immaterial \$23,480 plug to tie to the trial balance.

Sound internal controls require bank reconciliations to be performed monthly to ensure that 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 requires bank reconciliations to be completed and reviewed by the appropriate level of management on a monthly basis.

Regional Office officials indicated the transfer of funds from the old software system to the new software system was inaccurate and was not reconciled by the past ROE employee. This was discovered by the new financial team. (Finding 21-005, page 15)

The auditors recommended as part of its internal controls over cash, the ROE should reconcile all bank statements every month, compare it to the general ledger balance, and correct any discrepancies in a timely manner.

ROE Response: *The new financial team is working with the new financial software system company to address the amount mentioned in the condition section of this finding. Our internal records have been corrected and balance with the bank statements and balance sheets.*

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, 2021.

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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