



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #39**  
**MACON AND PIATT COUNTIES**

FINANCIAL AUDIT  
 For the Year Ended: June 30, 2019

Release Date: September 30, 2020

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

**SYNOPSIS**

- **(19-1)** The Regional Office of Education #39 did not have sufficient internal controls over the financial reporting process.
- **(19-2)** The Regional Office of Education #39 had inadequate controls over grant compliance.
- **(19-3)** The Regional Office of Education #39 did not provide completed financial statements in an auditable form by the August 31 deadline.
- **(19-4)** The Regional Office of Education #39 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 #39**  
**MACON AND PIATT COUNTIES**

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

	<b>FY 2019</b>	<b>FY 2018</b>
<b>TOTAL REVENUES</b>	\$5,557,429	\$5,309,873
Local Sources	\$802,209	\$758,379
% of Total Revenues	14.43%	14.28%
State Sources	\$4,698,339	\$4,478,058
% of Total Revenues	84.54%	84.33%
Federal Sources	\$56,881	\$73,436
% of Total Revenues	1.02%	1.38%
<b>TOTAL EXPENDITURES</b>	\$7,039,658	\$5,086,758
Salaries and Benefits	\$4,771,850	\$3,571,266
% of Total Expenditures	67.79%	70.21%
Purchased Services	\$1,810,266	\$1,345,567
% of Total Expenditures	25.72%	26.45%
All Other Expenditures	\$457,542	\$169,925
% of Total Expenditures	6.50%	3.34%
<b>TOTAL NET POSITION</b>	(\$1,132,327)	\$349,902
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$180,287	\$33,651
<sup>1</sup> Capital asset amounts include debt associated with a capital lease.  Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Matthew Snyder Currently: Honorable Matthew Snyder

**FINDINGS, CONCLUSIONS, AND  
RECOMMENDATIONS**

**CONTROLS OVER FINANCIAL STATEMENT  
PREPARATION**

**The Regional Office of Education #39 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #39 (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 the generally accepted accounting principles (GAAP) 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 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 based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

During review of the ROE's accounting records, auditors noted the ROE did not have adequate controls over the maintenance of complete records of cash, receivables, revenue, and expenditures. While the ROE did maintain records to indicate the balances of these items, not all entries were provided to properly report the ROE's balances and activity. In addition, other adjustments were required to present agency fund balances in accordance with GAAP.

Regional Office management indicated a new bookkeeper was hired at the end of fiscal year 2019. This was the first time the new bookkeeper went through the process of closing the books. (Finding 19-001, pages 10a – 10b)

The auditors recommended that as part of its internal control over the preparation of financial statements, the ROE should implement comprehensive preparation procedures to ensure 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 hired a new bookkeeper at the end of fiscal year 2019. This was the first time the new bookkeeper*

*went through the process of closing the books. The bookkeeper has been working with an outside CPA firm to remedy these issues going forward.*

## **CONTROLS OVER GRANT COMPLIANCE**

### **The Regional Office of Education #39 had inadequate controls over grant compliance.**

The Regional Office of Education #39 (ROE) had inadequate controls over grant compliance. During the course of the audit, auditors noted 7 of the 25 (28%) quarterly expenditure reports required by the Illinois State Board of Education (ISBE) were not submitted timely. Five of the quarterly expenditure reports were submitted nine days late, one report was submitted 54 days late, and one report was submitted 109 days late.

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 for grants administered by ISBE. ISBE requires expenditure reports to be filed within 20 days of the applicable end of each quarter.

Regional Office management indicated the ROE's new bookkeeper was unaware that the submission of expenditure reports to ISBE requires two approvals. The bookkeeper thought the expenditure reports were submitted timely; however, the second approval had not been completed. (Finding 19-002, page 10c)

The auditors recommended the ROE should implement adequate internal controls to ensure that expenditure reports are filed timely.

**ROE Response:** *The ROE's new bookkeeper was unaware that the submission of expenditure reports to ISBE requires two approvals. The bookkeeper thought the expenditure reports were submitted timely; however, the second approval had not been completed. The ROE has implemented a monthly meeting between the bookkeeper and the Regional Superintendent to ensure that all expenditure reporting requirements are met.*

## **DELAY OF AUDIT**

### **The Regional Office of Education #39 did not provide completed financial statements in an auditable form by the August 31 deadline.**

The Regional Office of Education #39 (ROE) did not provide completed financial statements in an auditable form by the August 31 deadline.

The Regional Office 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 Government 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 management indicated that staff did not get the necessary information to the ROE's hired CPA firm timely. (Finding 19-003, pages 10d – 10e)

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:** *ROE staff did not get the necessary information to the ROE's hired CPA firm timely. Management understands the importance of meeting the August 31<sup>st</sup> deadline and will work with the ROE's hired CPA firm to meet the deadline beginning with fiscal year 2021.*

## **CONTROLS OVER CASH**

### **The Regional Office of Education #39 had inadequate controls over cash.**

The Regional Office of Education #39 (ROE) had inadequate controls over cash. The May and June bank reconciliations for the ROE's main operating account were not complete when auditors began fieldwork on September 30, 2019. The bank reconciliations were completed November 22, 2019.

Sound internal control requires 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 on a timely basis. Sound internal control over cash requires bank reconciliations to be completed on a monthly basis.

Regional Office management indicated a new bookkeeper was hired at the end of fiscal year 2019. This was the first time the new bookkeeper went through the process of reconciling the bank account. (Finding 19-004, page 10f)

The auditors recommended the ROE should reconcile all bank statements every month and correct any discovered discrepancies in a timely manner.

**ROE Response:** *A new bookkeeper was hired at the end of fiscal year 2019. This was the first time the new bookkeeper went through the process of reconciling the bank account and therefore, the reconciliations took more time than normal. Management understands this issue and believes it has been remedied as the bookkeeper is reconciling the bank accounts in a timely manner.*

#### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #39's financial statements as of June 30, 2019 are fairly presented in all material respects.

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

**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

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