



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 (In accordance with the Uniform Guidance)
 For the Year Ended: June 30, 2022

Release Date: January 31, 2024

FINDINGS THIS AUDIT: 7				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
Category 1:	<u>New</u> 0	<u>Repeat</u> 1	<u>Total</u> 1	2018	22-1		
Category 2:	3	1	4	2019			22-2
Category 3:	0	2	2	2019			22-3
TOTAL	3	4	7	2021		22-4	
FINDINGS LAST AUDIT: 5							

SYNOPSIS

- (22-1) The Regional Office of Education #39 did not have sufficient internal controls over the financial reporting process.
- (22-2) The Regional Office of Education #39 had inadequate controls over grant compliance.
- (22-3) The Regional Office of Education #39 did not provide completed financial statements in an auditable form by the August 31 deadline.
- (22-4) The Regional Office of Education #39 had inadequate controls over review of journal entries.
- (22-5) The Regional Office of Education #39 had inadequate controls over allowable costs and costs principles.
- (22-6) The Regional Office of Education #39 had inadequate controls over subrecipient monitoring.
- (22-7) The Regional Office of Education #39 had inadequate controls over the preparation of the Schedule of Expenditures of Federal Awards.

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

	FY 2022	FY 2021
TOTAL REVENUES	\$6,400,849	\$5,632,233
Local Sources	\$830,401	\$606,078
% of Total Revenues	12.97%	10.76%
State Sources	\$4,503,372	\$4,885,818
% of Total Revenues	70.36%	86.75%
Federal Sources	\$1,067,076	\$140,337
% of Total Revenues	16.67%	2.49%
TOTAL EXPENDITURES	\$5,416,070	\$5,572,199
Salaries and Benefits	\$2,653,495	\$3,366,005
% of Total Expenditures	48.99%	60.41%
Purchased Services	\$2,310,742	\$1,913,954
% of Total Expenditures	42.66%	34.35%
All Other Expenditures	\$451,833	\$292,240
% of Total Expenditures	8.34%	5.24%
TOTAL NET POSITION	\$47,693 ¹	(\$889,281)
INVESTMENT IN CAPITAL ASSETS	\$85,002	\$115,570
¹ The FY22 beginning net position included a (\$47,805) restatement due to the correction of an error to remove a receivable balance. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Matthew Snyder Currently: Honorable Jill Reedy (effective October 1, 2022)

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 financial statements required material audit adjustments in order to ensure the balances were accurate for the basis of accounting selected for 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 ROE chose to utilize the GAAP 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.

Specifically, auditors noted the following adjustments:

- Unavailable revenue totaling \$106,153 related to revenues collected beyond 60 days from the reporting date was not recorded.
- Receivables of \$41,239 were incorrectly recorded.
- Variances of interfund accounts amounting to \$3,000 were not identified.
- Unearned revenues of \$12,092 were not recorded.
- Noncapitalizable assets of \$76,779 were incorrectly capitalized.
- Additional depreciation expense amounting to \$2,445 was not recognized.

Additionally, the financial statements submitted for audit did not include the impact of the new lease accounting in accordance with Governmental Accounting Standards Board (GASB) Statement No. 87. As a result, the government-wide financial statements submitted did not report the right to use assets and lease liabilities amounting to \$75,618 and \$76,389. In addition, expenditures representing purchased services, principal lease payments, and lease interest expenses totaling \$62,340 were not reported in the Governmental Funds' statement of revenues, expenditures, and changes in fund balances.

Regional Office management indicated the above exceptions were due to oversight. (Finding 22-001, pages 16 – 17) **This finding was first reported in 2018.**

The auditors recommended that as part of internal control over the preparation of financial statements, the ROE should implement comprehensive preparation procedures to ensure the financial statements and disclosures are complete and accurate. Additionally, ROE management should consider if changing to the cash or modified cash basis would be allowable or beneficial to the ROE and users of the ROE's financial statements.

ROE Response: *The ROE agrees with this finding.*

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. The ROE did not submit or timely submit the required reports to the Illinois State Board of Education (ISBE) in compliance with the grant award agreement.

The grant award agreement between the ROE and ISBE requires the ROE to complete and submit expenditure reports quarterly and performance reports semi-annually. The quarterly expenditure reports are due 20 calendar days after the end of the reporting quarter while the semi-annual performance reports are due 30 calendar days after the reporting semi-annual period. The ROE is also required to submit an annual performance report describing how the ROE used the awarded funds during the performance period. The annual reports are due March 17, 2023.

During testing of the ROE's compliance with the grant reporting requirements, auditors noted the following:

- Thirty-four of 38 (89%) quarterly expenditure reports were submitted 20 to 342 days late.
- Three of 38 (8%) quarterly expenditure reports were not submitted.
- Four of six (67%) semi-annual reports were not submitted.
- One of six (17%) semi-annual report was submitted 158 days late.
- Three of three (100%) annual reports were not submitted.

Regional Office management indicated required reports were not submitted or timely submitted due to oversight and competing priorities. (Finding 22-002, pages 18 – 19) **This finding was first reported in 2019.**

The auditors recommended the ROE implement procedures to ensure adherence to the grant reporting requirements.

ROE Response: *The ROE agrees with this finding. Previous management did not monitor grant compliance.*

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, 2022 deadline. The preliminary draft was provided to the auditors on August 10, 2023.

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 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). A Regional Office of Education or Educational Service Center is to utilize a cash basis, modified cash basis, or generally accepted accounting principles (GAAP) basis of accounting to prepare the financial statements for audit.

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 the Fiscal Year 2020 and 2021 audits were late resulting in the delay of the Fiscal Year 2022 audit. Previous management was not monitoring this timeline, which led to the audits falling behind. (Finding 22-003, pages 20 – 21) **This finding was first reported in 2019.**

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). Additionally, ROE management should consider if changing to the cash basis would be beneficial to the ROE and users of its financial statements. These financial statements need to be presented to

the Auditor General's independent auditors for audit by the August 31 deadline.

ROE Response: *The ROE agrees with this finding. Previous management did not monitor the new bookkeeper's need for training and the difficult transition to a new online accounting software system, leading to delays in audits.*

CONTROLS OVER REVIEW OF JOURNAL ENTRIES

The Regional Office of Education #39 had inadequate controls over review of journal entries.

The Regional Office of Education #39 (ROE) did not have adequate controls over review of journal entries. During the auditor's review of journal entries, auditors noted 3 of 15 (20%) journal entries tested lacked the necessary documentation to indicate the entry had been reviewed and approved by the Regional Superintendent or Assistant Regional Superintendent.

The ROE is responsible for establishing and maintaining an internal control system over journal entries to prevent errors or fraud. In addition, adequate controls over compliance with laws, regulations, and grant agreements require supervisory review of expenditures charged to grant programs.

Regional Office management indicated this was due to oversight. (Finding 22-004, page 22)

The auditors recommended the Regional Superintendent or Assistant Regional Superintendent should formally review and approve all journal entries, along with supporting documentation, prior to the entries being posted to the accounting records.

ROE Response: *The ROE agrees with this finding. Previous management did not review journal entries.*

CONTROLS OVER ALLOWABLE COSTS AND COSTS PRINCIPLES

The Regional Office of Education #39 had inadequate controls over allowable costs and costs principles.

The Regional Office of Education #39 (ROE) did not ensure costs or expenditures were adequately documented, reviewed, and approved to ensure allowability under the federal award.

The ROE's procedures requires the Regional Superintendent or the Program Director to review and approve invoices and requisitions before forwarding to the business office for processing.

The Code (2 CFR § 200.303 (a)) requires the ROE to establish and maintain effective internal control over the federal award to provide reasonable assurance the ROE is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Effective internal controls should include procedures to ensure

expenditures under Federal awards are supported, reviewed, and approved.

During testing of 60 expenditures totaling \$471,516, auditors noted eight (13%) expenditures were not signed by the Program Director or Regional Superintendent to indicate review and approval of the expenditures.

Regional Office management indicated expenditures were not signed by the Regional Superintendent or Program Director due to oversight. (Finding 22-005, pages 23 – 24)

The auditors recommended the ROE ensures all expenditures are properly supported, reviewed, and approved prior to payment.

ROE Response: *The ROE agrees with this finding. However, according to the ROE Employee Handbook (Fiscal Policies, page 16), updated and implemented in March 2021, monthly bills such as rent, phone, etc. did not require a requisition and were signed by the Business Manager. Reoccurring payments were approved with the contract lease agreement based on budgeted amounts.*

CONTROLS OVER SUBRECIPIENT MONITORING

The Regional Office of Education #39 had inadequate controls over subrecipient monitoring.

The Regional Office of Education #39 (ROE) did not have adequate controls over subrecipient monitoring in compliance with the Code of Federal Regulations (Code).

The Code (2 CFR § 200.332 (a)) requires the ROE to ensure that every subaward is clearly identified to the subrecipient as a subaward and include information to comply with federal statutes, regulations, and the terms and conditions of the award. The required information includes the subrecipient's name and unique identifier, assistance listing number, federal award date, federal awarding agency, etc. When some of this information is not available, the pass-through entity shall provide the best information available to describe the Federal award.

The Code (2 CFR § 200.332 (f)) requires the ROE to verify every subrecipient is audited as required by Subpart F when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set forth in 2 CFR § 200.501.

The Code (2 CFR § 200.332 (d)) requires the ROE to monitor the activities of the subrecipient to ensure the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward, and that subaward performance goals are achieved.

The Code (2 CFR § 200.303 (a)) requires the ROE to establish and maintain effective internal control over the federal award to provide reasonable assurance the ROE is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Effective internal controls should include procedures over subrecipient monitoring.

During auditor's testing of four subrecipients, the following was noted:

- The ROE did not communicate the required federal award information to all (100%) subrecipients to comply with federal statutes, regulations, and the terms and conditions at the start of the award. All the subaward agreements were signed and became effective after the start date of the grant.
- The ROE did not verify whether subrecipients were required to be audited or not.
- The ROE did not have written policies and procedures for subrecipient monitoring and could not provide evidence the ROE monitored its subrecipients during the audit period.

Regional Office management indicated this was due to oversight and staffing limitations (Finding 22-006, pages 25 – 26)

The auditors recommended the ROE establish and implement procedures over subrecipient monitoring.

ROE Response: *The ROE agrees with this finding.*

CONTROLS OVER PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The Regional Office of Education #39 had inadequate controls over the preparation of the Schedule of Expenditures of Federal Awards.

The Regional Office of Education #39 (ROE) did not have sufficient internal controls over the preparation of the Schedule of Expenditures of Federal Awards (SEFA) to ensure all federal expenditures during the fiscal year were reported and information in the SEFA was accurately reported.

The Code of Federal Regulations (Code) (2 CFR § 200.510 (b)), establishes criteria and requirements related to the preparation of the schedule of expenditures of federal awards.

The Code (2 CFR § 200.303 (a)) requires the ROE to establish and maintain effective internal control over the federal award to provide reasonable assurance the ROE is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Effective

internal controls should include procedures over preparation of the schedule of expenditures of federal awards.

During the auditor's review of the SEFA, the following was noted:

- Program title descriptions were incorrect, and COVID-19 related grants were not properly identified in the program title.
- Assistance listing numbers and pass-through grant numbers were incorrectly listed.
- Federal expenditures did not match the expenditures in the general ledger.
- Subrecipient expenditures were inappropriately reported on grants that did not actually have subrecipients.
- The Education Stabilization Fund was not specifically categorized in the SEFA and the total federal awards expended for the program was not reported.

The ROE subsequently revised its SEFA to correct these errors.

Regional Office management indicated the errors on the SEFA were due to oversight. (Finding 22-007, pages 27 – 28)

The auditors recommended the ROE should establish and implement internal controls over the preparation of the SEFA to ensure accurate reporting.

ROE Response: *The ROE agrees with this finding.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #39'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

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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