



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #41
MADISON COUNTY

FINANCIAL AUDIT
For the Year Ended: June 30, 2022

Release Date: August 16, 2023

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

SYNOPSIS

- **(22-1)** The Regional Office of Education #41 did not provide completed financial statements in an auditable form by the August 31 deadline.
- **(22-2)** The Regional Office of Education #41 did not have sufficient internal controls over the financial reporting process.

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 #41
MADISON COUNTY

FINANCIAL AUDIT
For The Year Ended June 30, 2022

	FY 2022	FY 2021
TOTAL REVENUES	\$3,010,266	\$3,631,771
Local Sources	\$1,809,129	\$1,618,570
% of Total Revenues	60.10%	44.57%
State Sources	\$991,377	\$1,854,190
% of Total Revenues	32.93%	51.05%
Federal Sources	\$209,760	\$159,011
% of Total Revenues	6.97%	4.38%
TOTAL EXPENDITURES	\$2,567,469	\$3,610,990
Salaries and Benefits	\$2,125,425	\$3,161,801
% of Total Expenditures	82.78%	87.56%
Purchased Services	\$317,786	\$281,738
% of Total Expenditures	12.38%	7.80%
All Other Expenditures	\$124,258	\$167,451
% of Total Expenditures	4.84%	4.64%
TOTAL NET POSITION	\$2,235,029 ¹	\$403,181
INVESTMENT IN CAPITAL ASSETS	0	\$38,842
¹ The FY 2022 beginning net position was restated by \$1,389,051 due to a change in accounting principle from generally accepted accounting principles (GAAP) basis to the cash basis of accounting. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Robert W. Werden Currently: Honorable Robert W. Werden

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

DELAY OF AUDIT

The Regional Office of Education #41 did not provide completed financial statements in an auditable form by the August 31 deadline.

The Regional Office of Education #41 (ROE) did not provide completed financial statements in an auditable form by the August 31, 2022 deadline. The financial statements were provided on October 11, 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. 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.

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 conversion from GAAP to the modified cash basis combined with the transition to outsourced financial statement preparation resulted in delays. (Finding 22-001, pages 10 – 11)

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 office has made our external accounting consultants aware of the deadline for this activity and will be a part of the engagement going forward.*

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #41 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #41 (ROE) did not have sufficient internal controls over the financial reporting process. In the course of restating beginning net position in the Technology PD fund to convert from accrual to modified cash basis accounting, the ROE made an error resulting in the understatement of current year revenues and the overstatement of beginning net position by \$47,151.

Statement of Auditing Standards (SAS) No. 115, *Communicating Internal Control Related Matters Identified in an Audit*, focuses on deficiencies in internal control over financial reporting. This SAS states that “identification by the auditor of a material misstatement of the financial statements under audit in circumstances that indicate that the misstatement would not have been detected by the entity’s internal control” is an indicator of a weakness in internal control.

Regional Office management indicated the error was a result of the change in accounting basis and is not a recurring issue. The effect of the eliminations of accrual balances from beginning fund level equity was not calculated and restated properly for the Technology PD fund. (Finding 22-001, page 12)

The auditors recommended the ROE should implement comprehensive review procedures as part of its 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 possessing a thorough understanding of the modified cash basis of accounting and knowledge of the ROE’s activities and operations.

ROE Response: *The closing of this fund has taken place and all audit adjustment entries will be made.*

AUDITORS’ OPINION

Our auditors state the Regional Office of Education #41’s financial statements as of June 30, 2021 are fairly presented in all material respects.

This financial audit was conducted by the firm of GW & Associates PC.

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

FJM:JRB