



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #47
LEE, OGLE, AND WHITESIDE COUNTIES

FINANCIAL AUDIT (In Accordance with the
 Uniform Guidance)
 For the Year Ended: June 30, 2017

Release Date: October 28, 2020

FINDINGS THIS AUDIT: 3				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
	<u>New</u>	<u>Repeat</u>	<u>Total</u>				
Category 1:	2	0	2	No Repeat Findings			
Category 2:	1	0	1				
Category 3:	0	0	0				
TOTAL	3	0	3				
FINDINGS LAST AUDIT: 3							

SYNOPSIS

- (17-1) The Regional Office of Education #47's salaries and benefits were not supported by proper time and effort documentation.
- (17-2) The Regional Office of Education #47 lacked written policies for federal grants.
- (17-3) The Regional Office of Education #47 did not have adequate subrecipient monitoring documentation.

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 #47
LEE, OGLE, AND WHITESIDE COUNTIES

FINANCIAL AUDIT
(In Accordance with the Uniform Guidance)
For The Year Ended June 30, 2017

	FY 2017	FY 2016
TOTAL REVENUES	\$5,613,060	\$4,982,459
Local Sources	\$701,350	\$548,467
% of Total Revenues	12.49%	11.01%
State Sources	\$2,141,603	\$2,003,742
% of Total Revenues	38.15%	40.22%
Federal Sources	\$2,770,107	\$2,430,250
% of Total Revenues	49.35%	48.78%
TOTAL EXPENDITURES	\$5,808,938	\$4,799,654
Salaries and Benefits	\$3,387,226	\$2,717,382
% of Total Expenditures	58.31%	56.62%
Purchased Services	\$971,738	\$769,434
% of Total Expenditures	16.73%	16.03%
All Other Expenditures	\$1,449,974	\$1,312,838
% of Total Expenditures	24.96%	27.35%
TOTAL NET POSITION	\$(262,586)	\$(66,708)
INVESTMENT IN CAPITAL ASSETS	\$113,530 ¹	\$133,361
¹ Capital asset amounts include debt associated with a capital lease. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Robert Sondgeroth Currently: Honorable Robert Sondgeroth

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**SALARIES AND BENEFITS NOT SUPPORTED BY
PROPER TIME AND EFFORT DOCUMENTATION**

The Regional Office of Education #47's salaries and benefits were not supported by proper time and effort documentation.

The Regional Office of Education #47 (ROE) allocated salary and benefit costs to various federal and State grants based on time and effort documentation; however time and effort documentation is not being approved by a supervisor to ensure charges are accurate, allowable, and properly allocated.

Employees of the ROE are required to document their time and effort working on federal and State programs. Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires charges for salaries and benefits to be supported by a system of internal control which provides reasonable assurance that charges are accurate, allowable, and properly allocated. It also requires that records are used to support the distribution of employees' salaries and benefits among specific activities if the employee only works part of the time on a federal award program. It further states that budget estimates alone do not qualify as support for salary and benefit charges to a federal award.

The Illinois State Board of Education (ISBE) *State and Federal Grant Administration Policy, Fiscal Requirements and Procedures*, requires that auditable "time and effort" documentation should be written, after the fact (not estimated or budgeted) documentation of how the time was spent. Time and effort reports should be prepared by any staff with salary charged (1) directly to a federal award, (2) directly to multiple federal awards, or (3) directly to any combination of a federal award or other federal, state or local funds. Additionally, all time and effort sheets and other supporting documentation must be retained at the local level and be available for review or audit any time within three years after termination of the project or until the local entity is notified in writing from ISBE that the records are no longer needed for audit or review.

Regional Office management indicated this was an oversight. (Finding 17-001, pages 14a – 14b)

The auditors recommended the ROE should implement written policies and procedures over time and effort reporting to ensure proper documentation is being obtained and/or maintained in all instances to properly distribute salary and benefit costs for employees who work in whole or in part on grant program activity in accordance with the Uniform Guidance and the ISBE *State and Federal Grant Administration Policy, Fiscal Requirements and Procedures*.

This would include having the documentation reviewed and formally approved by a supervisor.

ROE Response: *Management agrees with the finding.*

LACK OF WRITTEN POLICIES FOR FEDERAL GRANTS

The Regional Office of Education #47 lacked written policies for federal grants.

The Regional Office of Education #47 (ROE) did not have written procedures concerning cash management, the determination of allowability of costs in accordance with Subpart E – Cost Principles of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the terms and conditions of the federal award. In lieu of written procedures, the ROE utilized informal procedures in which each purchase made or cost allocated to the IDEA – Improvement Grant – Part D was reviewed for allowability by an individual with knowledge of the budget, allowable costs and activities, and the cash management requirements. The allowability determinations were based on the amounts included in the budgets for the IDEA – Improvement Grant – Part D approved by, and the grant periods set by, the Illinois State Board of Education (ISBE).

The Uniform Guidance, contained in 2 CFR Part 200, became effective for all federal award programs administered by the ROE that were issued on or after December 26, 2014. Specifically, the Uniform Guidance (2 CFR 200.302(b)(7)) requires the ROE to have written procedures related to cash management and for determining the allowability of costs in accordance with Subpart E – Cost Principles of the Uniform Guidance and the terms and conditions of the federal award.

Regional Office management indicated they were unable to dedicate the time needed to fully implement the Uniform Guidance due to competing priorities. (Finding 17-002, pages 15b – 15c)

The auditors recommended the ROE prepare written procedures to implement the requirements related to cash management for determining the allowability of costs in accordance with Subpart E – Cost Principles of the Uniform Guidance and the terms and conditions of the federal award.

ROE Response: *The Regional Office is in the process of developing written policies and procedures related to the Uniform Guidance.*

SUBRECIPIENT MONITORING DOCUMENTATION

The Regional Office of Education #47 did not have adequate subrecipient monitoring documentation.

During the audit, the Regional Office of Education #47 (ROE) was providing the certification to the Illinois State Board of Education, the funding agency for IDEA – Improvement Grant – Part D, when required. However, the certifications were not obtained from the subrecipients of this program.

Auditors also noted that there were no formal documented procedures for monitoring subrecipients, including formal completion of risk assessments and the documentation of an assessed level of risk of noncompliance for each subrecipient as required by the Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

The Uniform Guidance requires the ROE to provide a specific certification to funding agencies on all annual and final fiscal reports or vouchers requesting payment, and conversely, requires the ROE to obtain such certification from its subrecipients (2 CFR 200.415(a)).

The Uniform Guidance (2 CFR 200.331(b)) also requires the ROE to evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

Regional Office management indicated they were unable to dedicate the time needed to fully implement the Uniform Guidance due to competing priorities. (Finding 17-003, pages 15d – 15e)

The auditors recommended the ROE develop written policies and procedures to ensure all annual and final fiscal reports or vouchers requesting payment received from subrecipients of federal awards include the certification required by 2 CFR 200.415(a). The auditors also recommended the ROE formalize, in writing, its subrecipient monitoring procedures, which would include formally performing and documenting risk assessments for each subrecipient, as required and described in 2 CFR 200.331(b).

ROE Response: *The Regional Office has added the following certification to expenditure reports submitted by its subrecipients:*

By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements, and cash receipts are for the purpose and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or

fraudulent information, or the omission of any material fact may subject me to criminal, civil, or administrative penalties for fraud statements, false claims, or otherwise. (US Code Title 18, Section 1001 and Title 31, sections 3729-3730 and 3801-3812)

In addition, the ROE is implementing formal risk assessment monitoring procedures for its subrecipients.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #47's financial statements as of June 30, 2017 are fairly presented in all material respects.

This financial audit was conducted by the firm of Kemper CPA Group 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

FJM:BAO