



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, 2019

Release Date: October 19, 2022

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>				
Category 1:	1	2	3	2017	19-1		
Category 2:	0	1	1	2018			19-2
Category 3:	0	1	1	2017	19-4		
TOTAL	1	4	5	2017		19-5	
FINDINGS LAST AUDIT: 4							

SYNOPSIS

- (19-1) The Regional Office of Education #47's salaries and benefits were not supported by proper time and effort documentation.
- (19-2) The Regional Office of Education #47 did not provide completed financial statements in an auditable form by the August 31 deadline.
- (19-3) The Regional Office of Education #47 did not have sufficient internal controls over the financial reporting process.
- (19-4) The Regional Office of Education #47 lacked written policies for federal grants.
- (19-5) 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, 2019

	FY 2019	FY 2018
TOTAL REVENUES	\$5,946,942	\$5,239,993
Local Sources	\$1,281,604	\$677,648
% of Total Revenues	21.55%	12.93%
State Sources	\$2,130,028	\$2,492,744
% of Total Revenues	35.82%	47.57%
Federal Sources	\$2,535,310	\$2,069,601
% of Total Revenues	42.63%	39.50%
TOTAL EXPENDITURES	\$5,419,468	\$5,848,016
Salaries and Benefits	\$3,129,564	\$3,875,364
% of Total Expenditures	57.75%	66.27%
Purchased Services	\$741,097	\$899,410
% of Total Expenditures	13.67%	15.38%
All Other Expenditures	\$1,548,807	\$1,073,242
% of Total Expenditures	28.58%	18.35%
TOTAL NET POSITION	\$(1,430,265)	\$(1,957,739)
INVESTMENT IN CAPITAL ASSETS	\$100,900 ¹	\$115,323
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 Chris Tennyson

**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 instances were noted in which the time and effort documentation was 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 reports should be written, after the fact documentation of how the time was spent. Budget estimates can be used for charging purposes, but a confirmation process or reconciliation must take place at some point after the charges are incurred to record the true effort and not merely use an estimate. 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. The ROE is responsible for establishing and maintaining a system of internal controls over payroll to prevent errors and fraud. This includes review of time and effort documentation.

Regional Office management indicated this was an oversight. (Finding 19-001, pages 14a – 14b) **This finding was first reported in 2017.**

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: *Effective April 2021, the Regional Office has developed written policies and procedures related to time and effort documentation.*

DELAY OF AUDIT

The Regional Office of Education #47 did not provide completed financial statements in an auditable form by the August 31 deadline.

The Regional Office of Education #47 (ROE) did not provide completed financial statements in an auditable form by the August 31 deadline. Completed financial statements were received on March 2, 2021.

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 they did not provide their books to their outside accountant in time to fully adjust and prepare their financial statements in an auditable form. (Finding 19-002, pages 14c – 14d)

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). Regional Office management should determine if changing to the cash basis or modified cash basis would be allowable and 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: *Management agrees with the finding.*

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

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

The Regional Office of Education #47 (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 or maintained a list of year-end accrual adjustments 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 generally accepted accounting principles (GAAP) based 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.

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 GAAP basis of accounting system to prepare the financial statements for audit. The ROE has chosen 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. 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, including the schedule of expenditures of federal awards, and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

During the review of the financial information prepared by the ROE, the following was noted:

- The ROE did not have adequate controls over the maintenance of complete records of accounts receivable/due from other governments and therefore did not maintain an accurate record of these balances.

Regional Office management indicated it did not effectively detect all adjustments needed in order to present financial statements in accordance with GAAP. (Finding 19-003, pages 14e – 14f)

The auditors recommended the ROE should implement comprehensive preparation and/or review procedures as part of their 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(s) possessing a thorough understanding of the applicable GAAP principles, GASB pronouncements, and knowledge of the ROE's activities and operations. Additionally, ROE management should determine if changing from the GAAP basis to the cash or modified cash basis of accounting would be allowable or beneficial to the ROE and users of the ROE statements.

ROE Response: *The Regional Office agrees with the finding and corrective actions are being implemented.*

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 Title 2 U.S. *Code of Federal Regulations Part 200, 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 Individuals with Disabilities Education Act (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 19-004, pages 15b – 15c) **This finding was first reported in 2017.**

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: *Effective April 2021, the Regional Office has developed 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 subrecipient monitoring certification to the Illinois State Board of Education (ISBE), the funding agency for Individuals with Disabilities Education Act (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 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 Regional Office 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 (cite was changed to 2 CFR 200.332(b) in November 2020).

Regional Office management indicated they were unable to dedicate the time needed to fully implement the Uniform Guidance due to competing priorities. (Finding 19-005, pages 15d – 15e) **This finding was first reported in 2017.**

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: *Effective April 2021, 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 has implemented 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, 2019 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:JMM