



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, 2020

Release Date: August 30, 2023

FINDINGS THIS AUDIT: 4				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
<b>Category 1:</b>	<u>New</u> 0	<u>Repeat</u> 2	<u>Total</u> 2	2017	20-1		
<b>Category 2:</b>	0	1	1	2018			20-2
<b>Category 3:</b>	0	1	1	2017	20-3		
<b>TOTAL</b>	0	4	4	2017		20-4	
<b>FINDINGS LAST AUDIT: 5</b>							

**SYNOPSIS**

- **(20-1)** The Regional Office of Education #47's salaries and benefits were not supported by proper time and effort documentation.
- **(20-2)** The Regional Office of Education #47 did not provide completed financial statements in an auditable form by the August 31 deadline.
- **(20-3)** The Regional Office of Education #47 lacked written policies for federal grants.
- **(20-4)** 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, 2020**

	<b>FY 2020</b>	<b>FY 2019</b>
<b>TOTAL REVENUES</b>	\$4,754,179	\$5,946,942
Local Sources	\$1,097,130	\$1,281,604
% of Total Revenues	23.08%	21.55%
State Sources	\$1,259,975	\$2,130,028
% of Total Revenues	26.50%	35.82%
Federal Sources	\$2,397,074	\$2,535,310
% of Total Revenues	50.42%	42.63%
<b>TOTAL EXPENDITURES</b>	\$4,373,805	\$5,419,468
Salaries and Benefits	\$2,143,402	\$3,129,564
% of Total Expenditures	49.01%	57.75%
Purchased Services	\$704,991	\$741,097
% of Total Expenditures	16.12%	13.67%
All Other Expenditures	\$1,525,412	\$1,548,807
% of Total Expenditures	34.88%	28.58%
<b>TOTAL NET POSITION</b>	\$1,568,132 <sup>1</sup>	\$(1,430,265)
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$0	\$100,900 <sup>2</sup>
<sup>1</sup> The FY2020 beginning net position was restated by \$2,618,023 due to a change in accounting principle from generally accepted accounting principles (GAAP) basis to the cash basis of accounting. <sup>2</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 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 of the 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 20-001, 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. This process will be reviewed by the Grant Coordinator and the Regional Superintendent.*

#### **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, 2020 deadline. Completed financial statements were received on December 8, 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 20-002, 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 establish policies and procedures which set forth closing schedules, deadline, and accountability for the timely generation of 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.*

### **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 of the 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 20-003, 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. This process will be reviewed by the Grant Coordinator and the Regional Superintendent.*

**SUBRECIPIENT MONITORING**

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

The Regional Office of Education #47 (ROE) did not have effective internal controls over subrecipient monitoring. Furthermore, the ROE was not properly monitoring subrecipients in accordance with Title 2 of the U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) standards. During audit testing procedures it was determined that the ROE:

	<b>Number of Subrecipients</b>
a. Did not identify the subaward and applicable requirements in the agreements.	1 of 3
b. Did not evaluate the risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward.	1 of 3
c. Did not conduct subrecipient monitoring procedures.	3 of 3
d. Did not determine whether the subrecipient met the 2 CFR Subpart F Audit requirements criteria for a single audit.	3 of 3

The Uniform Guidance requires the Regional Office to ensure any subrecipient monitoring using federal funds be consistent with the standards set forth in the Uniform Guidance at 2 CFR 200.332. Additionally, the Uniform Guidance section 200.303 *Internal Controls* states the following : “The non-Federal entity must:

- a. Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

Regional Office management indicated the ROE experienced staff turnover and did not formally document policies and procedures that provide controls and structures to ensure all of its subrecipient monitoring accountabilities are conducted and complied with. (Finding 20-004, pages 15d – 15e) **This finding was first reported in 2017.**

The auditors recommended the ROE establish and maintain effective internal control over federal awards to ensure subrecipients are properly monitored as required by 2 CFR 200.332. This includes:

- a. Identifying the subaward and applicable requirements in the agreements;
- b. Evaluating the risk of noncompliance with Federal statutes, regulations, and the terms and conditions of the subaward;
- c. Conducting subrecipient monitoring procedures; and
- d. Determining whether the subrecipient met the requirement criteria of 2 CFR 200 Subpart F Audit requirements for a single audit.

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

#### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #47's financial statements as of June 30, 2020 are fairly presented in all material respects.

This financial audit was conducted by the firm of Prado & Renteria Certified Public Accountants.

**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