



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #44
MCHENRY COUNTY

FINANCIAL AUDIT
 For the Year Ended: June 30, 2022

Release Date: March 13, 2024

FINDINGS THIS AUDIT: 3				AGING SCHEDULE OF REPEATED FINDINGS			
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	<u>Repeated Since</u>	<u>Category 1</u>	<u>Category 2</u>	<u>Category 3</u>
Category 1:	0	2	2	2016	22-1		
Category 2:	0	0	0	2016	22-2		
Category 3:	0	1	1	2018			22-3
TOTAL	0	3	3				
FINDINGS LAST AUDIT: 4							

SYNOPSIS

- (22-1) The Regional Office of Education #44 did not comply with grant requirements.
- (22-2) The Regional Office of Education #44 did not have adequate internal control procedures.
- (22-3) The Regional Office of Education #44 did not provide completed financial statements in an auditable form by the August 31 deadline.

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 #44
MCHENRY COUNTY

FINANCIAL AUDIT
For The Year Ended June 30, 2022

	FY 2022	FY 2021
TOTAL REVENUES	\$1,719,797	\$1,275,109
Local Sources	\$419,956	\$403,646
% of Total Revenues	24.42%	31.66%
State Sources	\$851,410	\$870,690
% of Total Revenues	49.51%	68.28%
Federal Sources	\$448,431	\$773
% of Total Revenues	26.07%	.06%
TOTAL EXPENDITURES	\$1,710,931	\$1,391,288
Salaries and Benefits	\$528,293	\$578,837
% of Total Expenditures	30.88%	41.60%
Purchased Services	\$169,500	\$241,852
% of Total Expenditures	9.91%	17.38%
All Other Expenditures	\$1,013,138	\$570,599
% of Total Expenditures	59.22%	41.01%
TOTAL NET POSITION	\$211,896	\$203,030
INVESTMENT IN CAPITAL ASSETS	\$0	\$0
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Leslie Schermerhorn, Michael Freeman (Acting) and Diana Hartmann Currently: Honorable Diana Hartmann

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

NONCOMPLIANCE WITH GRANT REQUIREMENTS

The Regional Office of Education #44 did not comply with grant requirements.

The Regional Office of Education #44 (ROE) did not comply with grant requirements. The ROE submitted 3 of 12 (25%) expenditure reports untimely, ranging from 31 to 40 days late.

Item 5 of Section A of the Illinois State Board of Education's (ISBE) State and Federal Grant Administration Policy, Fiscal Requirements, and Procedures requires grantees with an approved state and/or federal grant program to submit quarterly expenditure reports, at a minimum, on or before 20 calendar days after the end of the reporting quarter.

Regional Office management indicated the weaknesses noted in the internal controls were due to not having a bookkeeper on a full-time basis. (Finding 2022-001, page 11) **This finding was first reported in 2016.**

The auditors recommended the ROE should develop internal controls to ensure expenditure reports are submitted by the grantors due date.

ROE Response: *The Regional Office of Education has put dates on a calendar and asked ISBE to establish email reminders for each grant needing an expenditure report filed.*

INADEQUATE INTERNAL CONTROL PROCEDURES

The Regional Office of Education #44 did not have adequate internal control procedures.

The Regional Office of Education #44 (ROE) did not have adequate internal control procedures. Auditors noted the following weaknesses in the ROE's internal control system for which there were no mitigating controls:

- Missing supporting documentation for receipt transactions, for 3 of 35 (9%) receipts selected for testing.
- Receipts were not deposited timely in 4 of 35 (11%) sampled receipts, ranging from 15 days to 49 days late.
- Untimely performance of 38 of 48 (79%) monthly bank reconciliations for all bank accounts, ranging from 48 to 494 days late. In addition, 48 of 48 (100%) bank reconciliations had no documentation of review.
- Disbursement transactions did not have indication of review or approval in 7 of 22 (32%) sampled disbursements.
- Missing supporting documentation for disbursement transactions, for 10 of 22 (45%) disbursements selected for testing.

The Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system over accounting transactions to prevent errors and fraud.

Regional Office management indicated the weaknesses noted in the internal controls were due to not having a bookkeeper on a full-time basis. (Finding 2022-002, pages 12 – 13) **This finding was first reported in 2016.**

The auditors recommended that the ROE should ensure supporting documentation for receipt and disbursement transactions are maintained and approved; receipts are deposited timely; perform monthly bank reconciliations for all bank accounts accurately and timely; and document evidence of independent review.

ROE Response: *The Regional Office of Education #44's policy for FY23 is to deposit checks within one week of receipt date. The ROE will contract an outside accounting firm and supporting documentation will be sent to the accountant on expenditures after the approval of the Regional Superintendent. The outside accounting firm will complete the bank reconciliations for the review and approval of the Regional Superintendent.*

DELAY OF AUDIT

The Regional Office of Education #44 did not provide completed financial statements in an auditable form by the August 31 deadline.

The Regional Office of Education #44 (ROE) did not provide completed financial statements in an auditable form by August 31, 2022. The completed financial statements were provided on July 7, 2023.

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 ROE may utilize a cash basis, modified cash basis, or generally accepted accounting principles (GAAP) basis of accounting to prepare the financial statements for audit. The ROE has chosen the GAAP basis of accounting for financial reporting.

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 delay was due to not having a bookkeeper on a full-time basis. (Finding 2022-003, pages 14 – 15) **This finding was first reported in 2018.**

The auditors recommended that 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 determine if changing to the cash 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: *The Regional Office will contract an outside accounting firm to prepare and maintain documentation needed for an audit going forward from FY23.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #44's financial statements as of June 30, 2022 are fairly stated in all material respects.

This financial audit was conducted by the firm of Adelfia LLC.

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