



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #3**  
**BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY**  
**COUNTIES**

FINANCIAL AUDIT  
 For the Year Ended: June 30, 2019

Release Date: May 27, 2020

FINDINGS THIS AUDIT: 3				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since 2016	Category 1	Category 2	Category 3
<b>Category 1:</b>	<u>New</u> 0	<u>Repeat</u> 0	<u>Total</u> 0				19-2
<b>Category 2:</b>	1	0	1				
<b>Category 3:</b>	1	1	2				
<b>TOTAL</b>	2	1	3				
FINDINGS LAST AUDIT: 3							

**SYNOPSIS**

- (19-1) The Regional Office of Education #3 did not have sufficient collateral on deposits.
- (19-2) The Regional Office of Education #3 did not properly implement internal controls over payroll and grant compliance.
- (19-3) The Regional Office of Education #3 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 #3**  
**BOND, CHRISTIAN, EFFINGHAM, FAYETTE, AND MONTGOMERY COUNTIES**

**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2019**

	<b>FY 2019</b>	<b>FY 2018</b>
<b>TOTAL REVENUES</b>	\$4,382,522	\$3,886,967
Local Sources	\$844,864	\$655,485
% of Total Revenues	19.28%	16.86%
State Sources	\$3,022,721	\$2,768,542
% of Total Revenues	68.97%	71.23%
Federal Sources	\$514,937	\$462,940
% of Total Revenues	11.75%	11.91%
<b>TOTAL EXPENDITURES</b>	\$4,044,864	\$3,939,402
Salaries and Benefits	\$2,735,983	\$2,889,160
% of Total Expenditures	67.64%	73.34%
Purchased Services	\$491,176	\$495,744
% of Total Expenditures	12.14%	12.58%
All Other Expenditures	\$817,705	\$554,498
% of Total Expenditures	20.22%	14.08%
<b>TOTAL NET POSITION</b>	\$549,204	\$211,546
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$121,784	\$49,858
Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Julie Wollerman
Currently: Honorable Julie Wollerman

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **INSUFFICIENT COLLATERAL ON DEPOSITS**

**The Regional Office of Education #3 did not have sufficient collateral on deposits.**

The Regional Office of Education #3 (ROE) did not have sufficient collateral on deposits. As of June 30, 2019, cash balances held with various banks exceeded Federal Deposit Insurance Corporation (FDIC) coverage and pledged collateral by \$35,599.

The Public Funds Deposit Act (30 ILCS 225/1) gives the authorization for deposits in excess of the federally insured limit to be covered by pledged collateral held by the financial institutions' trust departments in the ROE's name. In addition, prudent business practice requires that all cash and investments held by financial institutions for the ROE be adequately covered by depository insurance or collateral.

Regional Office management indicated they did not consistently monitor the level of collateral to determine it was at a sufficient amount. (Finding 19-001, page 10a)

The auditors recommended the ROE should periodically monitor cash balances, FDIC coverage, and pledged collateral to determine all cash balances are secured, especially around times when large deposits are being received. Additionally, the ROE should work with its financial institutions to provide sufficient collateral or enter into agreements with its financial institutions to have the cash balances monitored for adequate collateral periodically and adjusted as necessary.

**ROE Response:** *ROE #3 is now monitoring the level of collateral on a more regular basis.*

### **INTERNAL CONTROLS OVER PAYROLL AND GRANT COMPLIANCE**

**The Regional Office of Education #3 did not properly implement internal controls over payroll and grant compliance.**

Based on testing performed and discussion with Regional Office of Education #3 (ROE) personnel, Regional Office employees, who are partially paid from a federal or State program, prepared time sheets using the budgeted percentage allocation from their quarterly time and effort studies rather than documenting their actual time spent on each program for the months of July 2018 – October 2018. As of November 1, 2018, the ROE developed and implemented written policies and procedures to document actual time worked on each program. Actual time worked from November 1, 2018 – June 30, 2019, was compared to the actual amount of payroll charged to each program and adjusted, if necessary, to ensure amounts charged were accurate, allowable, and properly allocated as required by 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 Illinois State Board of Education (ISBE) *State and Federal Grant Administration Policy, Fiscal Requirements and Procedures* manual.

The Uniform Guidance requires charges for salaries and benefits to be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated. It also requires that records are used to support the distribution of employees' salary 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 ISBE *State and Federal Grant Administration Policy, Fiscal Requirements and Procedures* manual 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 review or audit.

ROE management indicated proper time sheets were not implemented until November 1, 2018, to compare actual time spent to budgeted time spent in order to provide amounts charged to programs that were accurate, allowable, and properly allocated. (Finding 19-002, pages 10b – 10c) **This finding was first reported in 2016.**

The auditors recommended that the Regional Office should continue to follow written policies and procedures over payroll implemented November 1, 2018, to ensure proper controls are in place to document actual time worked on each program. Actual time worked should be compared to allocated payroll charges for the entire fiscal year in order to ensure amounts charged to programs are accurate, allowable, and properly allocated as required by the Uniform Guidance and the *ISBE State and Federal Grant Administration Policy, Fiscal Requirements and Procedures* manual.

**ROE Response:** *The ROE implemented new procedures for payroll on July 1, 2018. After implementation, the auditors did not feel our processes were enough, so further changes were made in November 2018 that now meet the auditing standard of actual hours worked, not budgeted.*

## **NONCOMPLIANCE WITH SUBRECIPIENT MONITORING DOCUMENTATION**

**The Regional Office of Education #3 did not have adequate subrecipient monitoring documentation.**

During the audit, the Regional Office of Education #3 (ROE) was not providing all required grant information to subrecipients of the McKinney-Vento Education for Homeless Children and Youth Program – Area V Subgrant. The required communication letter informing the subrecipients of their grant awards did not include the Catalog of Federal Domestic Assistance (CFDA) number.

The *Grant Accountability and Transparency Act (GATA)* (30 ILCS 708/1) establishes that State agencies that pass State and federal grant funding through to other entities are subject to the requirements set forth in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The Uniform Guidance (2 CFR 200.331(a)) requires certain information to be communicated to the recipients of the subaward, including the CFDA number. One of the many functions of the ROE is to receive grants directly or indirectly as subrecipients from grantors and operate the grant programs, which may include forwarding some or all of the grant funding to other entities. As an agency within the granting hierarchy, the ROE is required to be in compliance with GATA to ensure that every subaward is clearly identified as a subaward and communicates the required information to subrecipients, including the CFDA number.

Regional Office management indicated they did not communicate the CFDA number to subrecipients at the time the grant was awarded. (Finding 19-003, page 10d)

The auditors recommended the ROE create a standard form of communication ensuring that all required elements are provided to each individual subrecipient.

**ROE Response:** *The CFDA number is indicated on the subgrantee's RFP. Official award notice for grants in a renewal year is a simple email with dollar amounts. Grantees can refer to their signed RFP for the CFDA. Award emails will now include the CFDA number.*

### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #3's financial statements as of June 30, 2019 are fairly presented in all material respects.

This financial audit was conducted by the firm of Doehring, Winders & Co. LLP.

**SIGNED ORIGINAL ON FILE**

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JOE BUTCHER  
Division Director

This report is transmitted in accordance with Section 3-14 of  
the Illinois State Auditing Act.

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

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