



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #32
IROQUOIS AND KANKAKEE COUNTIES

FINANCIAL AUDIT
For the Year Ended: June 30, 2019

Release Date: May 27, 2020

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

SYNOPSIS

- **(19-1)** The Regional Office of Education #32 did not have sufficient internal controls over the financial reporting process.
- **(19-2)** The Regional Office of Education #32 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 #32
IROQUOIS AND KANKAKEE COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2019

	FY 2019	FY 2018
TOTAL REVENUES	\$3,680,472	\$4,557,360
Local Sources	\$722,523	\$921,857
% of Total Revenues	19.63%	20.23%
State Sources	\$2,185,031	\$2,018,157
% of Total Revenues	59.37%	44.28%
Federal Sources	\$772,918	\$1,617,346
% of Total Revenues	21.00%	35.49%
TOTAL EXPENDITURES	\$3,138,544	\$4,093,973
Salaries and Benefits	\$2,390,088	\$2,878,752
% of Total Expenditures	76.15%	70.32%
Purchased Services	\$461,716	\$638,986
% of Total Expenditures	14.71%	15.61%
All Other Expenditures	\$286,740	\$576,235
% of Total Expenditures	9.14%	14.08%
TOTAL NET POSITION	\$4,226,508	\$3,684,580
INVESTMENT IN CAPITAL ASSETS	\$43,964	\$53,897
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Dr. Gregg Murphy Currently: Dr. Gregg Murphy

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**CONTROLS OVER FINANCIAL STATEMENT
PREPARATION**

The Regional Office of Education #32 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #32 (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 year-end accrual and other applicable entries 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 the 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 errors and omissions in a timely manner.

The ROE is required to maintain a system of controls over the preparation of financial statements in accordance with GAAP. The ROE's internal controls over GAAP financial reporting should include adequately trained personnel with the knowledge, skills, and experience to prepare the GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

During review of the ROE's financial information prepared by the ROE, auditors noted the ROE's financial information required a material adjusting entry in order to present its financial statements in accordance with GAAP.

Regional Office management indicated the complex requirements of GASB statements will require additional time and training before the ROE can fully implement the requirements on its own. (Finding 19-001, pages 10 – 11)

The auditors recommended that the ROE should implement comprehensive preparation and/or review procedures as a part of its 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, GASB pronouncements, and knowledge of the ROE's activities and operations.

ROE Response: *The ROE will train I-KAN Staff to improve skills in implementing comprehensive preparation and/or review procedures as part of internal control over the preparation of financial statements.*

NONCOMPLIANCE WITH SUBRECIPIENT MONITORING

The Regional Office of Education #32 did not have adequate subrecipient monitoring documentation.

During the audit, auditors noted that although the Regional Office of Education #32 (ROE) provided information to subrecipients regarding the Teen REACH subaward, it did not provide all of the data elements noted in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) as revised for a State grant, such as the name of the State awarding agency, the State award date, and the Catalog of State Financial Assistance (CSFA) Number. Auditors also noted the ROE was providing the certification required by Uniform Guidance to the Illinois Department of Human Services, the funding agency for Teen REACH. However, the required certification was not obtained from the subrecipients of this program. In addition, auditors noted that although the ROE has procedures to monitor such subrecipients based on a high risk assessment, there was no formal documentation of the assessed level of risk of noncompliance for each subrecipient as required by the Uniform Guidance.

The *Grant Accountability and Transparency Act* (GATA), contained in 30 ILCS 708, establishes that State agencies that pass State and federal grant funding through to other entities are subject to the requirements set forth in the Uniform Guidance. As an agency within the granting hierarchy, the ROE is required to be in compliance with GATA, including the Uniform Guidance requirements. The Uniform Guidance (2 CFR 200.331(a)) requires the ROE to clearly identify the subaward to the subrecipient, noting specific data elements. The Uniform Guidance (2 CFR 200.415(a)) 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. 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 terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

Regional Office management indicated the I-KAN ROE was not aware the subrecipient monitoring procedures applied to the non-governmental subrecipients of the Teen REACH program. (Finding 19-002, pages 12 – 13)

The auditors recommended the ROE develop 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). It was also recommended the ROE review the required data elements noted in the Uniform Guidance (2 CFR

200.331(a)) and ensure that all information is provided to the subrecipients. In addition, the ROE should formalize, in writing, its subrecipient risk assessment procedures as required and described in 2 CFR 200.331(b).

ROE Response: *Procedures have been developed and implemented to ensure all annual and final fiscal reports or vouchers requesting payment received from subrecipients of federal and state awards include the certification required by 2 CFR 200.415(a). The procedures include elements to ensure all required information is provided to subrecipients. Additionally, the procedures provide for written documentation of the required risk assessment of subrecipients.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #32's financial statements as of June 30, 2019 are fairly presented in all material respects.

This financial audit was conducted by the firm of West & Company, 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