



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #40
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES

FINANCIAL AUDIT
For the Year Ended: June 30, 2020

Release Date: March 31, 2021

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>	2019			20-1
Category 1:	1	0	1				
Category 2:	0	0	0				
Category 3:	<u>0</u>	<u>1</u>	<u>1</u>				
TOTAL	1	1	2				
FINDINGS LAST AUDIT: 1							

SYNOPSIS

- **(20-1)** The Regional Office of Education #40 had inadequate internal controls over compliance requirements.
- **(20-2)** The Regional Office of Education #40 did not have sufficient internal controls over the financial reporting process.

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 #40
CALHOUN, GREENE, JERSEY AND MACOUPIN COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2020

	FY 2020	FY 2019
TOTAL REVENUES	\$1,655,104	\$1,555,483
Local Sources	\$273,471	\$283,398
% of Total Revenues	16.52%	18.22%
State Sources	\$1,332,537	\$1,178,552
% of Total Revenues	80.51%	75.77%
Federal Sources	\$49,096	\$93,533
% of Total Revenues	2.97%	6.01%
TOTAL EXPENDITURES	\$1,759,642	\$1,644,301
Salaries and Benefits	\$1,496,340	\$1,316,504
% of Total Expenditures	85.04%	80.06%
Purchased Services	\$230,795	\$284,168
% of Total Expenditures	13.12%	17.28%
All Other Expenditures	\$32,507	\$43,629
% of Total Expenditures	1.85%	2.65%
TOTAL NET POSITION	(\$57,690)	\$46,848
INVESTMENT IN CAPITAL ASSETS	\$19,819 ¹	\$17,879
¹ Capital asset amounts include debt associated with a capital lease. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Michelle Mueller Currently: Honorable Michelle Mueller

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE INTERNAL CONTROLS OVER
COMPLIANCE REQUIREMENTS**

The Regional Office of Education #40 had inadequate internal controls over compliance requirements.

The Regional Office of Education #40 (ROE) did not use time and effort documentation to distribute salary and benefit costs for employees paid from multiple funding sources. The ROE did require all employees to submit time and effort documentation; however, the time and effort documentation was not reconciled to the payroll allocation used to record payroll expenses in the general ledger. Therefore, the ROE was unable to determine the reasonableness of the allocation of salaries and benefits amongst federal and State programs.

The ROE also did not update its procurement policy to be in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and did not implement a fraud policy.

For fiscal year 2019, the Grant Accountability and Transparency Act (GATA) (*30 ILCS 708/1*) became effective for all federal and State award programs administered by the ROE. The GATA establishes that State grant programs are subject to the requirements set forth in the Uniform Guidance. The Uniform Guidance (2 CFR 200.430) requires charges for salaries and benefits to be supported by a system of internal controls which provide reasonable assurance that the charges are accurate, and properly allocated. It also requires records be used to support the distribution of employee salaries and benefits among specific activities if the employee works on multiple programs. It further states that budget estimates alone do not qualify as support for salary and benefit expenditures charged to federal and State grants.

The GATA also requires the ROE to implement a procurement policy that is in accordance with the Uniform Guidance (2 CFR 200.317 through 200.326). In addition, the Illinois State Board of Education's State and Federal Grant Administration Policy, Fiscal Requirements, and Procedures requires the ROE to implement a fraud policy.

ROE management indicated that while the ROE employees are keeping their time sheets that show time and effort, the time and effort sheets were not reconciled to amounts expensed in the general ledger. ROE personnel were unaware of that requirement. (Finding 20-001, pages 10A-10B)

The auditors recommended the ROE use time and effort documentation to distribute salary and benefit costs for all employees. They also recommended the ROE update the

procurement policy to comply with the requirements of the Uniform Guidance and implement a formal fraud policy.

ROE Response: *The ROE will use time and effort documentation to distribute salary and benefits costs for all employees. The ROE will update the procurement policy to comply with the requirements of the Uniform Guidance and implement a formal fraud policy.*

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #40 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #40 (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. In addition, the ROE did not have sufficient internal controls over the processing of some accounting transactions. There were not sufficient controls over the preparation/review 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 errors and omissions in a timely manner. For example, auditors, in their review of the ROE's accounting records, noted the ROE did not have adequate controls over the maintenance of complete records for payables.

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 GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

ROE management indicated that due to COVID-19, some vendor invoices were delayed in being sent to the ROE. ROE personnel inadvertently overlooked recording payables for a few FY20 invoices that were received after year end. (Finding 20-002, pages 10C-10D)

The auditors recommended 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 has hired a CPA firm to aid with closing the books and preparing the financial statements. ROE personnel will follow up with the hired CPA firm to have them review accounts payable at year end to ensure that payables are complete.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #40's financial statements as of June 30, 2020 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