



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #39
MACON AND PIATT COUNTIES

FINANCIAL AUDIT
 For the Year Ended: June 30, 2020

Release Date: November 17, 2021

FINDINGS THIS AUDIT: 4				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	2018	20-1		
Category 1:	0	2	2	2019			20-2
Category 2:	0	0	0	2019			20-3
Category 3:	0	2	2	2019	20-4		
TOTAL	0	4	4				
FINDINGS LAST AUDIT: 4							

SYNOPSIS

- **(20-1)** The Regional Office of Education #39 did not have sufficient internal controls over the financial reporting process.
- **(20-2)** The Regional Office of Education #39 had inadequate controls over grant compliance.
- **(20-3)** The Regional Office of Education #39 did not provide completed financial statements in an auditable form by the August 31 deadline.
- **(20-4)** The Regional Office of Education #39 had inadequate controls over cash.

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 #39
MACON AND PIATT COUNTIES

FINANCIAL AUDIT
For The Year Ended June 30, 2020

	FY 2020	FY 2019
TOTAL REVENUES	\$5,490,671	\$5,557,429
Local Sources	\$621,452	\$802,209
% of Total Revenues	11.32%	14.43%
State Sources	\$4,808,502	\$4,698,339
% of Total Revenues	87.58%	84.54%
Federal Sources	\$60,717	\$56,881
% of Total Revenues	1.11%	1.02%
TOTAL EXPENDITURES	\$5,377,517	\$7,039,658
Salaries and Benefits	\$3,294,960	\$4,771,850
% of Total Expenditures	61.27%	67.79%
Purchased Services	\$1,861,976	\$1,810,266
% of Total Expenditures	34.63%	25.72%
All Other Expenditures	\$220,581	\$457,542
% of Total Expenditures	4.10%	6.50%
TOTAL NET POSITION	(\$1,019,173)	(\$1,132,327)
INVESTMENT IN CAPITAL ASSETS	\$135,261	\$180,287
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Matthew Snyder Currently: Honorable Matthew Snyder

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**CONTROLS OVER FINANCIAL STATEMENT
PREPARATION**

The Regional Office of Education #39 did not have sufficient internal controls over the financial reporting process.

The Regional Office of Education #39 (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 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) basis financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure 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 GAAP based financial statements and include all disclosures as required by the Governmental Accounting Standards Board (GASB). Additionally, effective June 25, 2021, Public Act 102-0025 allows that a Regional Office of Education or Educational Service Center may utilize a cash basis, modified cash basis, or GAAP basis of accounting to prepare the financial statements for audit.

During review of the ROE's accounting records, auditors noted the ROE did not have adequate controls over the maintenance of complete records of cash, receivables, unavailable revenue, and revenue. While the ROE did maintain records to indicate the balances of these items, numerous adjustments were required to present balances in accordance with GAAP.

Regional Office management indicated that at the end of Fiscal Year 2019 a new bookkeeper was hired. Fiscal Year 2020's audit was the second time that the new bookkeeper went through the process of closing the books. (Finding 20-001, pages 10a – 10b)

The auditors recommended that as part of its internal control over the preparation of financial statements, the ROE should implement comprehensive preparation procedures to ensure the financial statements are complete and accurate. These procedures should be performed by a properly trained individual possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of the ROE's activities and operations. Additionally, ROE

management should consider Public Act 102-0025 to determine if changing to the cash or modified cash basis would be allowable or beneficial to the ROE and users of the ROE financial statements.

ROE Response: *The ROE hired a new bookkeeper at the end of Fiscal Year 2019. Fiscal Year 2020's audit was the second time that the new bookkeeper went through the process of closing the books. The bookkeeper has been working with an outside CPA firm to remedy these issues going forward.*

CONTROLS OVER GRANT COMPLIANCE

The Regional Office of Education #39 had inadequate controls over grant compliance.

The Regional Office of Education #39 (ROE) had inadequate controls over grant compliance. During the course of the audit, auditors noted 15 of the 20 (75%) quarterly expenditure reports required by the Illinois State Board of Education (ISBE) were not submitted timely. Four of the quarterly expenditure reports were submitted 2 days late, 9 quarterly expenditure reports were submitted between 10 and 20 days late, 1 quarterly expenditure report was submitted between 20 and 30 days late, and 1 quarterly expenditure report was submitted 45 days late. In addition, 4 quarterly expenditure reports required by ISBE were not submitted.

As a recipient of federal, State, and local funds from various grantor agencies, the ROE must incorporate certain procedures into its operations in order to comply with the grant agreements with these entities.

The ROE is responsible for establishing and maintaining an internal control system over the completion of timely quarterly expenditure reports required for grants administered by ISBE. ISBE requires expenditure reports to be filed within 20 days of the applicable end of each quarter.

Regional Office management indicated the transition to a new bookkeeper caused a delay in the Fiscal Year 2019 expenditure reporting and set the expenditure reporting behind for Fiscal Year 2020. The restrictions of Covid-19 and the pandemic during FY20, coupled with the integration of the new bookkeeper made it more difficult to complete the expenditure reports in a timely manner and ensure the accuracy of the information. (Finding 20-002, page 10c-10d)

The auditors recommended the ROE should implement adequate internal controls to ensure that expenditure reports are filed timely.

ROE Response: *The restrictions of Covid-19 and the pandemic during FY20, coupled with the integration of the new bookkeeper made it more difficult to complete the expenditure reports in a timely manner and ensure the*

accuracy of the information. Reports will be submitted in a timelier manner going forward.

DELAY OF AUDIT

The Regional Office of Education #39 did not provide completed financial statements in an auditable form by the August 31 deadline.

The Regional Office of Education #39 (ROE) did not provide completed financial statements in an auditable form by the August 31 deadline. The preliminary draft was provided to the auditors on April 7, 2021.

In addition, auditors noted inconsistencies with the bank reconciliation of the main operating account that required the ROE to revise the June 30, 2020 bank reconciliation. Auditors discussed concerns about the bank reconciliation with ROE management on June 7, 2021. The revised bank reconciliation was provided to the auditors on July 26, 2021.

The Regional Office 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 (GAGAS).

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. Annual financial statements are to be prepared on an accrual basis of accounting in accordance with generally accepted accounting principles (GAAP). Additionally, effective June 25, 2021, Public Act 102-0025 allows that a Regional Office of Education or Educational Service Center may utilize a cash basis, modified cash basis, or GAAP basis of accounting to prepare the financial statements for audit.

In addition, prudent business practices and transparency require timely preparation and completion of financial statements.

Regional Office management indicated that at the end of Fiscal Year 2019 a new bookkeeper was hired. This transition caused a delay in the Fiscal Year 2019 audit and set the audit schedule behind for Fiscal Year 2020. The restrictions of Covid-19 and

the pandemic during Fiscal Year 2020, coupled with the integration of the new bookkeeper effectively derailed the audit timing. (Finding 20-003, pages 10e – 10f)

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). Annual financial statements should be compiled on an accrual basis of accounting in accordance with GAAP. Additionally, ROE management should consider Public Act 102-0025 to determine if changing to the cash or modified cash basis would be allowable or beneficial to the ROE and users of the ROE statements. These financial statements need to be presented to the Auditor General's independent auditors for audit by the August 31 deadline.

ROE Response: *At the end of Fiscal Year 2019 a new bookkeeper was hired. This transition caused a delay in the Fiscal Year 2019 audit and set the audit schedule behind for Fiscal Year 2020. The restrictions of Covid-19 and the pandemic during Fiscal Year 2020, coupled with the integration of the new bookkeeper effectively derailed the audit timing. Management will continue to work with the ROE's hired CPA firm to minimize audit delays going forward.*

CONTROLS OVER CASH

The Regional Office of Education #39 had inadequate controls over cash.

The Regional Office of Education #39's (ROE) bank reconciliations were not being reviewed or did not show documentation of review to ensure the reconciliation was taking place and that the reconciliation was complete.

In addition, auditors noted the bank reconciliation of the main operating account had a material variance when comparing the balance per the bank reconciliation to the balance per the adjusted trial balance. The variance required the ROE to revise the June 30, 2020 bank reconciliation. Auditors discussed concerns about the bank reconciliation with ROE management on June 7, 2021. The revised bank reconciliation was provided to the auditors on July 26, 2021.

Sound internal control requires bank reconciliations to be performed monthly to ensure that all transactions have been recorded. The bank reconciliation process should include identifying and correcting all discrepancies between the bank records and the books on a timely basis. Sound internal control over cash requires bank reconciliations to be completed and reviewed by the appropriate level of management on a monthly basis.

Regional Office management indicated the ROE's accounting software is a fairly dated Disk Operating System command accounting system. The new bookkeeper had difficulties reconciling cash variances at the end of Fiscal Year 2019. The

ROE's hired CPA firm was able to help the new bookkeeper manually reconcile the cash accounts, but did not fix the reconciliation issues inside of the accounting software. The recording of cash transactions into the accounting software was completed monthly for Fiscal Year 2020; however the variances created while closing Fiscal Year 2019 made it difficult to reconcile to Fiscal Year 2020 bank accounts in the accounting system. (Finding 20-004, pages 10g – 10h)

The auditors recommended that as part of its internal controls over cash, the ROE should reconcile all bank statements every month and correct any discrepancies in a timely manner. In addition, the ROE's management should review bank reconciliations and document their review each month after the reconciliation has been completed.

ROE Response: *Reconciliation issues rolling forward from Fiscal Year 2019 in the ROE's accounting software caused reconciliation issues for Fiscal Year 2020. Management will continue to work with the ROE's hired CPA firm to resolve reconciliation issues going forward.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #39'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:RSH