



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, 2021

Release Date: April 19, 2023

FINDINGS THIS AUDIT: 5				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	2018	21-1		
Category 1:	1	2	3	2019			21-2
Category 2:	0	0	0	2019			21-3
Category 3:	0	2	2	2019	21-4		
TOTAL	1	4	5				
FINDINGS LAST AUDIT: 4							

SYNOPSIS

- (21-1) The Regional Office of Education #39 did not have sufficient internal controls over the financial reporting process.
- (21-2) The Regional Office of Education #39 had inadequate controls over grant compliance.
- (21-3) The Regional Office of Education #39 did not provide completed financial statements in an auditable form by the August 31 deadline.
- (21-4) The Regional Office of Education #39 had inadequate controls over cash.
- (21-5) The Regional Office of Education #39 had inadequate controls over review of journal entries.

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, 2021

	FY 2021	FY 2020
TOTAL REVENUES	\$5,632,233	\$5,490,671
Local Sources	\$606,078	\$621,452
% of Total Revenues	10.76%	11.32%
State Sources	\$4,885,818	\$4,808,502
% of Total Revenues	86.75%	87.58%
Federal Sources	\$140,337	\$60,717
% of Total Revenues	2.49%	1.11%
TOTAL EXPENDITURES	\$5,572,199	\$5,377,517
Salaries and Benefits	\$3,366,005	\$3,294,960
% of Total Expenditures	60.41%	61.27%
Purchased Services	\$1,913,954	\$1,861,976
% of Total Expenditures	34.35%	34.63%
All Other Expenditures	\$292,240	\$220,581
% of Total Expenditures	5.24%	4.10%
TOTAL NET POSITION	(\$889,281) ¹	(\$1,019,173)
INVESTMENT IN CAPITAL ASSETS	\$115,570	\$135,261
¹ The FY21 beginning net position included a \$69,858 restatement due to the correction of an error for an investment reporting omission. Percentages may not add due to rounding.		

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

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 School Code (105 ILCS 5/2-3.17a) allows a Regional Office of Education or Educational Service Center to utilize a cash basis, modified cash basis, or GAAP basis of accounting to prepare financial statements for audit. The ROE has chosen to utilize the GAAP basis of accounting for financial statement reporting. The ROE is required to maintain a system of controls over the preparation of financial statements in accordance with its selected basis of accounting. 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).

During review of the ROE's accounting records, auditors noted the ROE did not have adequate controls over the maintenance of complete records of investments, receivables, unavailable revenues, net position/fund balance, revenues, and expenditures. While the ROE did maintain records to indicate the balances of these items, numerous material adjustments were required to present balances in accordance with GAAP.

Regional Office management indicated that the bookkeeper is inexperienced in financial statement preparation and was unable to use the information in the old system for accurate preparation of the FY21 financial statements. The ROE has limited resources and no CPA on staff. (Finding 21-001, pages 10a – 10b) **This finding was first reported in 2018.**

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 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 continues to make additional training available for the bookkeeper and business office employees to expand their technical accounting knowledge. The ROE has been working with an outside CPA firm to remedy these issues going forward.*

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 26 of the 34 (76%) quarterly expenditure reports required by the Illinois State Board of Education (ISBE) were not submitted timely. Nine of the quarterly expenditure reports were submitted 1 day late, two were submitted 2 days late, three were submitted between 20 and 30 days late, two were submitted between 60 and 90 days late, and ten submitted over 100 days late.

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

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 bookkeeper did not have a schedule in place for completing expenditure reports in a timely manner. Prior management did not monitor the reports nor their deadlines. (Finding 21-002, page 10c) **This finding was first reported in 2019.**

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

ROE Response: *ROE management hired an outside accountant on an as-needed basis to support the bookkeeper with creating procedures and protocols for routine and timely grant reporting. All expenditure report due dates are now on a shared calendar for FY23, and management is monitoring the completion of the reports. With the correct data now reflected in the new accounting software, additional training and systems in place, the ROE anticipates that this issue will be remedied.*

DELAY OF AUDIT

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 September 26, 2022.

The Regional Office is subject to 105 ILCS 5/2-3.17a which requires

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

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). A regional office of education or educational service center is to utilize a cash basis, modified cash basis, or generally accepted accounting principles (GAAP) basis of accounting to prepare the financial statements for audit.

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 bookkeeper, hired in May of 2019, submitted the FY19 audit data nine months late. This led to the FY20 audit data being submitted ten months late. The bookkeeper has been so behind that it has been difficult to catch up, making the FY21 audit late as well. Previous management was not monitoring this timeline, which led to the audits getting farther and farther behind. (Finding 21-003, pages 10d – 10e) **This finding was first reported in 2019.**

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). Additionally, ROE management should consider if changing to the cash or modified cash basis would be allowable or beneficial to the ROE and users of the ROE 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 ROE recognizes the urgency to get the audits back on schedule. The ROE is working to schedule the FY22 audit as soon as the FY21 audit is completed.*

CONTROLS OVER CASH

The Regional Office of Education #39's (ROE) had inadequate internal controls over cash. Auditors noted the initial bank reconciliation of the main operating account had a material variance when comparing the balance per the bank reconciliation to the balance per the trial balance. The variance required the ROE to revise the June 30, 2021 bank

reconciliation. The revised bank reconciliation was provided to the auditors on September 26, 2022.

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.

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

Regional Office management indicated the bookkeeper has struggled with basic accounting tasks and the preparation of the monthly bank reconciliations since he took over the business office in 2019. The bookkeeper got so behind on the monthly reconciliations that catching up on these reconciliations became very difficult. Previous management was not effectively monitoring the monthly bank reconciliation process. (Finding 21-004, page 10f) **This finding was first reported in 2019.**

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.

ROE Response: *ROE management and bookkeeper worked with an outside accountant who assisted in the development of systems and procedures that allowed for better controls over cash. The implementation of these new procedures will simplify the bank reconciliation process for the bookkeeper and will assist in accurate and timely preparation of the monthly bank reconciliations.*

CONTROLS OVER REVIEW OF JOURNAL ENTRIES

The Regional Office of Education #39 (ROE) had inadequate controls over review of journal entries. During auditors' review of journal entries, they noted 15 out of the 15 (100%) journal entries tested lacked the necessary documentation to indicate the entry had been reviewed and approved by the Regional Superintendent or Assistant Regional Superintendent.

The ROE is responsible for establishing and maintaining an internal control system over journal entries to prevent errors or fraud. In addition, adequate controls over compliance with laws, regulations, and grant agreements require supervisory review of expenditures charged to grant programs.

Regional Office personnel indicated management was not reviewing and approving the journal entries. (Finding 21-005, page 10g)

The auditors recommended the Regional Superintendent or Assistant Regional Superintendent should formally review and approval all journal entries, along with supporting documentation, prior to the entries being posted to the accounting records.

The Regional Office of Education #39 had inadequate controls over review of journal entries.

ROE Response: *The former Regional Superintendent retired on September 30, 2022. The new Regional Superintendent took over on October 1, 2022. ROE management is very aware of the possible risks to the office of not reviewing and approving journal entries. All journal entries will be reviewed by the Regional Superintendent or Assistant Regional Superintendent moving forward in FY23. The Regional Superintendent will also go back and review AJEs for FY22.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #39's financial statements as of June 30, 2021 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

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