



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 (In accordance with the  
 Uniform Guidance)  
 For the Year Ended: June 30, 2023

Release Date: January 22, 2025

FINDINGS THIS AUDIT: 8	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	1	1	2018	23-1		
Category 2:	2	3	5	2019			23-2
Category 3:	0	2	2	2019			23-3
TOTAL	2	6	8	2022		23-5	
				2022		23-6	
FINDINGS LAST AUDIT: 7				2022		23-7	

**SYNOPSIS**

- (23-1) The Regional Office of Education #39 did not have sufficient internal controls over the financial reporting process.
- (23-2) The Regional Office of Education #39 had inadequate controls over grant compliance.
- (23-3) The Regional Office of Education #39 did not provide completed financial statements in an auditable form by the August 31 deadline.
- (23-4) The Regional Office of Education #39 had inadequate controls over record keeping of equipment from Federal Funds.
- (23-5) The Regional Office of Education #39 had inadequate controls over allowable costs and costs principles.
- (23-6) The Regional Office of Education #39 had inadequate controls over subrecipient monitoring.
- (23-7) The Regional Office of Education #39 had inadequate controls over the preparation of the Schedule of Expenditures of Federal Awards.
- (23-8) The Regional Office of Education #39 had inadequate controls over the timely submission of the data collection form and related reporting package.

**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**  
**(In Accordance with the Uniform Guidance)**  
**For The Year Ended June 30, 2023**

	<b>FY 2023</b>	<b>FY 2022</b>
<b>TOTAL REVENUES</b>	\$7,809,548	\$6,400,849
Local Sources	\$1,417,164	\$830,401
% of Total Revenues	18.15%	12.97%
State Sources	\$4,785,926	\$4,503,372
% of Total Revenues	61.28%	70.36%
Federal Sources	\$1,606,458	\$1,067,076
% of Total Revenues	20.57%	16.67%
<b>TOTAL EXPENDITURES</b>	\$6,732,755	\$5,416,070
Salaries and Benefits	\$2,821,474	\$2,653,495
% of Total Expenditures	41.91%	48.99%
Purchased Services	\$2,387,121	\$2,310,742
% of Total Expenditures	35.46%	42.66%
All Other Expenditures	\$1,524,160	\$451,833
% of Total Expenditures	22.64%	8.34%
<b>TOTAL NET POSITION</b>	\$2,151,826 <sup>1</sup>	\$47,693
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$80,761	\$85,002
<sup>1</sup> The FY 2023 beginning net position was restated by \$1,027,340 due to converting the financial statements to the cash basis of accounting.		
Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Matthew Snyder (Through September 30, 2022)
Currently: Honorable Jill Reedy (effective October 1, 2022)

**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 financial statements required material audit adjustments in order to ensure the balances were accurate for the basis of accounting selected for financial statement preparation.

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 generally accepted accounting principles (GAAP) basis of accounting to prepare financial statements for audit. The ROE has chosen to utilize the modified cash 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.

Specifically, auditors noted the following adjustments:

- Non-capitalizable assets totaling \$31,512 were incorrectly recorded as capital assets.
- An incorrect depreciation policy was applied, resulting in an overstatement of depreciation expense by \$7,742.
- In the restatement related to the transition from the accrual basis to the modified cash basis of accounting, intergovernmental balances from the prior period were not eliminated, resulting in an understatement of \$11,787 in the general fund and an overstatement of \$11,787 in the fiduciary funds beginning balances.
- Intergovernmental balances were not eliminated, leading to an understatement of \$4,229 in the general fund and an overstatement of \$4,229 in fiduciary fund cash and cash equivalents.
- On-behalf payments revenues and expenditures related to the ROE's share of THIS OPEB benefit was understated by \$322,632.
- Improper classification of revenue in an unusual credit balance of \$17,700 in expenditures. The credit balance should have been recorded as transfers in, due to other funds covering the excess expenditures from a grant.
- Improper classification of expenditures resulted in an unusual credit balance of \$292,878 in expenditures. This credit balance represents reimbursements from other funds for salaries and benefits, purchased services, and supplies and materials, which should have been allocated to the appropriate expenditure accounts rather than solely to purchased services.

Additionally, the ROE failed to identify a lease contract that qualifies as a lease under Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, thus causing an omission of a disclosure considered necessary to achieve a fair presentation of ROE's modified cash basis financial statements.

Regional Office management indicated the above exceptions were due to oversight. (Finding 23-001, pages 15 – 16) **This finding was first reported in 2018.**

The auditors recommended that as part of internal control over the preparation of financial statements, the ROE should implement comprehensive preparation procedures to ensure the financial statements and disclosures are complete and accurate.

**ROE Response:** *The ROE agrees with the finding and will implement controls over financial statements for both the internal Business Office Manager and the contracted accounting firm to prepare and review the financial statements to ensure that balances are reconciled and accurate for financial statement preparation.*

## **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. The ROE did not submit or timely submit the required reports to the Illinois State Board of Education (ISBE) in compliance with the grant award agreement.

The grant award agreement between the ROE and ISBE requires the ROE to complete and submit expenditure reports quarterly and performance reports semi-annually. The quarterly expenditure reports are due 20 calendar days after the end of the reporting quarter while the semi-annual performance reports are due 30 calendar days after the reporting semi-annual period. The ROE is also required to submit an annual performance report describing how the ROE used the awarded funds during the performance period. The annual reports are due June 6, 2024.

During testing of the ROE's compliance with the grant reporting requirements, auditors noted the following:

- Sixteen of 38 (42%) quarterly expenditures reports were submitted 1 to 112 days late.
- Two of 2 (100%) annual reports were not submitted.

Regional Office management indicated required reports were not submitted or timely submitted due to oversight and

competing priorities. (Finding 23-002, pages 17 – 18).  
**This finding was first reported in 2019.**

The auditors recommended the ROE implement procedures to ensure adherence to the grant reporting requirements.

**ROE Response:** *The ROE agrees with the findings and will provide close oversight for the timely submission of grant expenditures and performance reports. Checklist, due dates, and reminders are shared from the Regional Superintendent to the Business Office Manager and Program Directors. Management will review the grant report submissions in IWAS (Illinois Web Assistance System) for accuracy and completion before approving and submitting to ISBE.*

#### **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, 2023 deadline. The preliminary draft was provided to the auditors on June 4, 2024.

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 30<sup>th</sup> 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 that the annual audit 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 Fiscal Year 2020, 2021, and 2022 audits were late resulting in the delay of the Fiscal Year 2023 audit. Previous management was not monitoring this timeline, which led to the audits falling behind. (Finding 23-003, pages 19 – 20) **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). 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 agrees with the findings and is working with their contracted accounting firm to ensure that the office gets back on schedule with the yearly audit deadlines.*

### **INADEQUATE RECORD KEEPING OVER EQUIPMENT FROM FEDERAL FUNDS**

**The Regional Office of Education #39 had inadequate controls over record keeping of equipment from federal funds.**

The Regional Office of Education #39 (ROE) did not have adequate record keeping over its equipment acquired from federal funds.

ROE asset details in the property records include only the description of the property, acquisition date, and cost of the property. The other minimum requirements specified by the Code of Federal Regulations (Code) are not included in the property records.

Moreover, the ROE was unable to properly account for the results of its physical inventory count and only performed a partial reconciliation.

The Code (2 CFR § 200.313 (d)(1)) requires that procedures for managing equipment acquired with federal funds must maintain property records that include the following information: (i) a description of the property, (ii) manufacturer’s serial number or other identification number, (iii) source of the funding for the property (including the FAIN), (iv) who holds title, (v) acquisition date (vi) cost of the property, (vii) percentage of federal contribution in the project cost for the Federal award under which the property was acquired, (viii) location, (ix) use and condition of the property, and (x) and any ultimate disposition data, including date of disposal and sale price of the property.

Moreover, the Code (2 CFR § 200.313 (d) (2)) requires that a physical inventory of the property must be taken and the results reconciled with the property records at least once every two years.

In addition, the Code (2 CFR § 200.303 (a)) requires the ROE to establish and maintain effective internal control over the federal award to provide reasonable assurance the ROE is managing the federal award in compliance with federal statutes, regulations, and terms and conditions of the federal award. Effective internal controls should include record keeping and monitoring of equipment acquired from federal funds.

Regional Office management indicated the issue was due to oversight and lack of training on requirements by the previous management. (Finding 23-004, (pages 21-22))

The auditors recommended the ROE comply with federal regulations by monitoring equipment acquired from federal funds and establish a regular schedule for a comprehensive reconciliation of physical inventory to ensure accurate financial reporting and enhance overall accountability.

**ROE Response:** *The ROE agrees with the audit findings and is implementing documents and procedures to meet requirements in the future.*

## **CONTROLS OVER ALLOWABLE COSTS AND COSTS PRINCIPLES**

### **The Regional Office of Education #39 had inadequate controls over allowable costs and costs principles.**

The Regional Office of Education #39 (ROE) did not ensure costs or expenditures were adequately documented, reviewed, and approved to ensure allowability under the federal award.

The ROE's procedure requires the Regional Superintendent or the Program Director to review and approve invoices and requisitions before forwarding to the business office for processing.

The Code of Federal Regulations (Code) (2 CFR § 200.403 (g)) states that costs must be adequately documented in order to be allowable under Federal Awards.

In addition, the Code (2 CFR § 200.303 (a)) requires the ROE to establish and maintain effective internal control over the federal award to provide reasonable assurance the ROE is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Effective internal controls should include procedures to ensure expenditures under Federal awards are supported, reviewed, and approved.

During testing of 60 expenditures totaling \$854,868, auditors noted the following :

- Ten (17%) expenditures had invoices or receipts that were not initialed by the Program Director or Regional

Superintendent to indicate review and approval of the expenditures; and,

- Two (3%) expenditures were not supported with a requisition form.

Regional Office management indicated expenditures were not signed by the Regional Superintendent or Program Director due to oversight and the supporting requisition forms were misplaced by previous responsible personnel. (Finding 23-005, pages 23 – 24)

The auditors recommended the ROE ensures all expenditures are properly supported, reviewed, and approved prior to payment.

**ROE Response:** *The ROE agrees with the audit findings and is implementing a new process to ensure all expenditures have documented approval and review.*

## **CONTROLS OVER SUBRECIPIENT MONITORING**

### **The Regional Office of Education #39 had inadequate controls over subrecipient monitoring.**

The Regional Office of Education #39 (ROE) did not have adequate controls over subrecipient monitoring in compliance with the Code of Federal Regulations (Code).

The Code (2 CFR § 200.332 (g)) requires the ROE to verify every subrecipient is audited as required by Subpart F when it is expected that the subrecipient's Federal awards expended during the respective fiscal year equaled or exceeded the threshold set in 2 CFR § 200.501.

The Code (2 CFR § 200.332 (e)) requires the ROE to monitor the activities of the subrecipient to ensure the subaward is used for authorized purposes, in compliance with Federal statutes, regulations, and the terms and conditions of the subaward, and that subaward performance goals are achieved.

The Code (2 CFR § 200.303 (a)) requires the ROE to establish and maintain effective internal control over the federal award to provide reasonable assurance the ROE is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Effective internal controls should include procedures over subrecipient monitoring.

During auditor's testing of nine subrecipients, auditors noted the following:

- The ROE did not verify whether subrecipients were required to be audited,
- The ROE did not have written policies and procedures for subrecipient monitoring and could not provide



evidence the ROE monitored its subrecipients during the audit period.

Regional Office management indicated this was due to oversight and staffing limitations by previous management (Finding 23-006, pages 25 – 26)

The auditors recommended the ROE establish and implement procedures over subrecipient monitoring.

**ROE Response:** *The ROE agrees with the audit findings and although some subrecipient monitoring was conducted it may not have been sufficiently documented. The ROE is implementing policies and procedures to ensure subrecipient monitoring is not only conducted but documented as well.*

## **CONTROLS OVER PREPARATION OF SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

### **The Regional Office of Education #39 had inadequate controls over the preparation of the Schedule of Expenditures of Federal Awards.**

The Regional Office of Education #39 (ROE) did not have sufficient internal controls over the preparation of the Schedule of Expenditures of Federal Awards (SEFA) to ensure all federal expenditures during the fiscal year were reported and information in the SEFA was accurately reported.

The Code of Federal Regulations (Code) (2 CFR § 200.510 (b)), establishes criteria and requirements related to the preparation of the schedule of expenditures of federal awards.

The Code (2 CFR § 200.303 (a)) requires the ROE to establish and maintain effective internal control over the federal award to provide reasonable assurance the ROE is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Effective internal controls should include procedures over preparation of the schedule of expenditures of federal awards.

During the auditor's review of the SEFA, the following was noted:

- The Education Stabilization Fund was not specifically categorized in the SEFA and the total federal awards expended for the program was not reported.
- Program title descriptions were incorrect.
- Assistance listing number was incorrectly listed.
- Pass-through subrecipient amount was not indicated.

Regional Office management indicated the errors on the SEFA were due to oversight. (Finding 23-007, pages 27 – 28)

The auditors recommended the ROE should establish and implement internal controls over the preparation of the SEFA to ensure accurate reporting.

**ROE Response:** *The ROE agrees with the audit findings and will work with contracted accounting firm to ensure that the schedule of expenditures of federal awards are accurately reported as required.*

## **UNTIMELY SUBMISSION OF DATA COLLECTION FORM AND RELATED REPORTING PACKAGE**

**The Regional Office of Education #39 had inadequate controls over the timely submission of the Data Collection Form and related reporting package.**

The Regional Office of Education #39 (ROE) was required to submit its June 30, 2022, data collection form and related reporting package to the Federal Audit Clearinghouse by March 31, 2023; however, it was not submitted until January 3, 2024, resulting in a delay of 278 days.

The Code of Federal Regulations (Code) (2 CFR § 200.512 (a)(1)) requires the data collection form and reporting package be submitted within 30 calendar days after the auditee receives the auditor's report or nine months after the end of the audit period (whichever is earlier).

Moreover, Office of the Management and Budget announced that it is waiving the 30-day deadline for 2022 submissions. Thus, audits will be considered on time if submitted within nine months after the fiscal period end date.

In addition, the Code (2 CFR § 200.303 (a)) requires the ROE to establish and maintain effective internal control over the federal award to provide reasonable assurance the ROE is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award. Effective internal controls should include procedures to ensure the data collection form and related reporting package are timely submitted.

Federal oversight agencies use the data collection form and related reporting package as a key tool in monitoring the accountability of federal awards.

Regional Office management indicated that the Fiscal Year 2022 Audit packet was finalized late due to delays in preparing the packets for the prior years (2020 and 2021) and was only submitted in January 2024. This timeline issue stemmed from a lack of monitoring in previous years, resulting in audits falling behind. (Finding 23-008, pages 29-30)

The auditors recommended the ROE should establish and implement internal controls over the timely submission of the data collection form and related reporting package.

**ROE Response:** *The ROE agrees with the findings and is working with their contracted accounting firm to ensure that the office gets back on schedule with the yearly audit deadlines so that the Federal Audit Clearinghouse may be submitted on schedule as well.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #39's financial statements as of June 30, 2023 are fairly presented in all material respects.

This financial audit was conducted by the firm of Roth & 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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