



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

Release Date: August 27, 2025

FINDINGS THIS AUDIT: 5				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	2	3	2022		23-4	
Category 2:	0	1	1	2021	23-2, 23-3		23-1
Category 3:	0	1	1				
TOTAL	1	4	5				
FINDINGS LAST AUDIT: 5							

**DISCLAIMER**

During the process of closing the books for the audit, the Regional Office of Education #40's staff noted that cash was overstated by \$33,011. In response, the Regional Office of Education #40's staff posted an adjusting journal entry to reduce the General Fund's cash and increase the General Fund's purchased services expense by \$33,011. The Regional Office of Education was unable to provide further audit evidence to support the allocation of this transaction of the General Fund and to the purchased services line item. As a result of these matters, we were unable to determine whether any adjustments to the basic financial statements might be necessary. Because of the significance of the matter described, we have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, **we do not express an opinion on these financial statements.**

**SYNOPSIS**

- (23-1) The Regional Office of Education #40 did not provide completed financial statements in an auditable form by the August 31 deadline.
- (23-2) The Regional Office of Education #40 had inadequate controls over bank reconciliations.
- (23-3) The Regional Office of Education #40 did not comply with grant reporting requirements.
- (23-4) The Regional Office of Education #40 had inadequate controls over payroll.
- (23-5) 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**  
**(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>	\$2,736,208	\$1,346,339
Local Sources	\$454,860	\$368,175
% of Total Revenues	16.62%	27.35%
State Sources	\$1,032,604	\$760,350
% of Total Revenues	37.74%	56.48%
Federal Sources	\$1,248,744	\$217,814
% of Total Revenues	45.64%	16.18%
<b>TOTAL EXPENDITURES</b>	\$2,480,624	\$1,552,428
Salaries and Benefits	\$1,279,262	\$985,272
% of Total Expenditures	51.57%	63.47%
Purchased Services	\$1,101,755	\$500,691
% of Total Expenditures	44.41%	32.25%
All Other Expenditures	\$99,607	\$66,465
% of Total Expenditures	4.02%	4.28%
<b>TOTAL NET POSITION</b>	\$407,528	\$151,944
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$0	\$0
Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Michelle Mueller Currently: Honorable Michelle Mueller

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **DELAY OF AUDIT**

**The Regional Office of Education #40 did not provide completed financial statements in an auditable form by the August 31 deadline.**

The Regional Office of Education #40 (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 May 22, 2024.

The ROE is subject to 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. The Regional office of Education or Educational Service Center may utilize a cash basis, modified cash basis, or generally accepted accounting principles (GAAP) basis of accounting to prepare the financial statements for audit. The ROE utilizes the cash basis of accounting for financial statement reporting.

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 unexpected passing of our bookkeeper in the final month of FY22 caused the FY22 delay that affected FY23 to be able to report in a timely manner. (Finding 2023-001, pages 15A-15B) **This finding was first reported in 2021.**

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, on the cash basis of accounting, or on the modified cash basis of accounting. These financial

statements need to be presented to the Auditor General's independent auditors for audit by the August 31 deadline.

**ROE Response:** *ROE #40 will implement procedures to ensure compliance with 105 ILCS 5/2-3.17a and 74 Ill. Adm. Code 420.320 (c) (2). Future financial statements will be presented to the Auditor General's independent auditors for audit by the August 31 deadline.*

## **CONTROLS OVER CASH**

### **The Regional Office of Education #40 had inadequate controls over bank reconciliations.**

The Regional Office of Education #40 (ROE) had inadequate controls over bank reconciliations.

Monthly bank reconciliations had significant unexplained variances and were not completed timely. The bank reconciliations for fiscal year 2023 were not completed accurately until the hired CPA firm helped prepare the 6/30/23 reconciliation while closing the books. The 6/30/23 bank reconciliation was not prepared until May 22, 2024.

In addition, during the hired CPA firm's preparation of the 6/30/23 bank reconciliation, it was noted that cash was overstated by \$33,011. In response, the ROE posted an adjusting journal entry to reduce the General Fund's cash and increase the General Fund's purchased services expenditures by \$33,011.

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

Regional Office management indicated the new administrative staff didn't have the necessary training to prepare accurate bank reconciliations on a timely basis. (Finding 2023-002, page 15C) **This finding was first reported in 2021.**

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, ROE management should review bank reconciliations and document their review each month after the reconciliation has been completed.

**ROE Response:** *ROE #40 will reconcile all bank statements monthly and correct discrepancies in a timely manner. ROE 40 management will review and document bank reconciliations monthly.*

## GRANT REPORTING NONCOMPLIANCE

### **The Regional Office of Education #40 did not comply with grant reporting requirements.**

The Regional Office of Education #40 (ROE) did not comply with grant reporting requirements.

During the course of the audit, auditors noted that 8 of the 29 (28%) quarterly expenditure reports required by the Illinois State Board of Education were not submitted timely. Five of the quarterly expenditure reports were submitted 1-30 days late, one expenditure report was submitted 30 to 60 days late, and two expenditure reports were submitted 60 to 90 days late. For the federal programs, auditors noted that 3 out of the 9 (33%) quarterly expenditure reports required by the Illinois State Board of Education for the federal programs were not submitted timely. Two of the quarterly expenditure reports were submitted 1 to 30 days late and one quarterly expenditure report was submitted 60 to 90 days late.

In addition, auditors noted that supplies and materials expenditures exceeded budgeted amounts by \$6,851 for the Elementary and Secondary School Emergency Relief Fund 2022 grant.

Auditors also noted that the 6/30/23 expenditure report for the Elementary and Secondary School Emergency Relief Fund 2022 grant claimed \$54,708 of expenditures prior to the expenditures actually being paid by the ROE. The Illinois State Board of Education requires that expenditure reports be prepared on the cash basis of accounting. Therefore, an expenditure should not be submitted for reimbursement prior to the ROE paying for the expenditure.

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 and budget requirements for grants administered by the Illinois State Board of Education. The Illinois State Board of Education requires expenditure reports to be filed within 20 days of the applicable end of each quarter. In addition, the ROE is responsible for submitting grant budgets to the Illinois State Board of Education and adhering to those approved budgets.

The Illinois State Board of Education requires expenditure reports to be prepared on the cash basis of accounting. The expenditure reports submitted should reconcile directly to the ROE's general ledger and should only include expenditures that have already been paid.

Regional Office management indicated the new administrative staff did not have the necessary training to understand all grant reporting requirements. (Finding 2023-003, pages 15D-15E)  
**This finding was first reported in 2021.**

The auditors recommended that the ROE should implement adequate internal controls to ensure that expenditure reports are submitted timely and to ensure that expenditures reported on the expenditure reports agree to the actual expenditures recorded in the general ledger. Budgets should be amended when expenditure line items exceed the threshold. The ROE should implement adequate internal controls to ensure that expenditures included on expenditure reports have been paid by the ROE before the ROE requested reimbursement for the expenditures.

**ROE Response:** *Regional Office of Education #40 will implement adequate internal controls to ensure that expenditure reports are submitted timely and to ensure that expenditures reported on expenditure reports agree with actual expenditures recorded in the general ledger. Budgets will be amended when expenditure line items exceed the threshold. The ROE will implement adequate internal controls to ensure that expenditures included on expenditure reports have been paid by the ROE before the ROE requests reimbursement for the expenditures.*

## **CONTROLS OVER PAYROLL**

**The Regional Office of Education #40 had inadequate controls over payroll.**

The Regional Office of Education #40 (ROE) had inadequate controls over payroll.

During the course of audit fieldwork, auditors noted the following:

- The ROE did not use time and effort documentation to distribute salary and benefit costs for employees paid from multiple funding sources. The ROE budgeted amounts at the beginning of the year to allocate payroll expense to each fund; however, the ROE never reconciled the amounts expensed in the general ledger to the employees' submitted timesheets. Therefore, the ROE was unable to determine the reasonableness of the allocation of salaries and benefits amongst federal and State programs.
- For four out of the twenty-four (17%) payroll disbursements tested, the withholding information used to calculate the employees' pay did not agree to the Federal or Illinois Forms W-4 on file. For the federal program, auditors noted 3 out of the 4 (75%) payroll disbursements tested, the withholding

information used to calculate the employees' pay did not agree to the Federal or Illinois Forms W-4 on file.

- One out of the twenty-four (4%) payroll disbursements tested inaccurately omitted the employees wages from being subject to Medicare tax.

The ROE is responsible for establishing and maintaining an internal control system over payroll to prevent errors or fraud. In addition, the *Grant Accountability and Transparency Act (GATA)* 30 ILCS 708/1 establishes that State grant programs are subject to the requirements set forth in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 to 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 ROE is responsible for calculating payroll taxes and the related withholdings in compliance with requirements of the Internal Revenue Service and the Illinois Department of Revenue.

Regional Office management indicated the cause was due to unexpected staff turnover due to bookkeeper's passing along with a new payroll clerk learning her responsibilities. (Finding 2023-004, pages 15F-15G)

The auditors recommended the ROE use time and effort documentation to distribute salary and benefit costs for all employees. Auditors also recommended the ROE implement the necessary controls over payroll to ensure that payroll is being properly prepared and calculated.

**ROE Response:** *The ROE #40 will use time and effort documentation to distribute salary and benefit costs for all employees. The ROE will implement the necessary controls over payroll to ensure that payroll is being properly prepared and calculated.*

## **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. While the ROE maintains controls over the processing of most accounting transactions, there are not



sufficient controls over the preparation of the cash 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 errors and omissions in a timely manner.

During review of the ROE's accounting records, auditors noted the ROE should be a single audit for the year ended June 30, 2023. Auditors then reviewed the initial draft financial statements provided by the ROE and noted the ROE had not included the Schedule of Expenditures of Federal Awards in the financial statements.

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 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.

ROE management indicated this was an oversight by the ROE. ROE 40 staff will work with the hired CPA firm going forward to make sure that the financial statements are complete. (Finding 2023-005, pages 15H-15I)

The auditors recommended, as part of 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 accounting principles, GASB pronouncements, and knowledge of the ROE's activities and operations.

**ROE Response:** *ROE #40 has implemented comprehensive preparation procedures to ensure the financial statements are complete and accurate. These procedures will be performed by a properly trained individual possessing a thorough understanding of the applicable accounting principles, GASB pronouncements, and knowledge of the ROE's activities and operations.*

## **AUDITORS' OPINION**

Our auditors state the Regional Office of Education was unable to provide further audit evidence to support the allocation of a transaction of the General Fund and to the purchased services line item. As a result, our auditors were unable to determine whether any adjustments to the basic financial statements might be necessary.

Because of the significance of this matter, our auditors have not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, they do not express an opinion on these financial statements.

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

**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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