



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**REGIONAL OFFICE OF EDUCATION #44**  
**MCHENRY COUNTY**

**FINANCIAL AUDIT**  
**For the Year Ended: June 30, 2023**

**Release Date: February 19, 2025**

FINDINGS THIS AUDIT: 3				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	2016	23-2		
<b>Category 1:</b>	<b>1</b>	<b>1</b>	<b>2</b>	2018			23-3
<b>Category 2:</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>Category 3:</b>	<u>0</u>	<u>1</u>	<u>1</u>				
<b>TOTAL</b>	<b>1</b>	<b>2</b>	<b>3</b>				
FINDINGS LAST AUDIT: 3							

**SYNOPSIS**

- **(23-1)** The Regional Office of Education #44 did not have sufficient internal controls over financial statement preparation.
- **(23-2)** The Regional Office of Education #44 had inadequate control procedures.
- **(23-3)** The Regional Office of Education #44 did not provide completed financial statements in an auditable form by the August 31 deadline.

**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 #44**  
**MCHENRY COUNTY**

**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2023**

	<b>FY 2023</b>	<b>FY 2022</b>
<b>TOTAL REVENUES</b>	\$1,763,830	\$1,719,797
Local Sources	\$473,356	\$419,956
% of Total Revenues	26.84%	24.42%
State Sources	\$1,171,467	\$851,410
% of Total Revenues	66.42%	49.51%
Federal Sources	\$119,007	\$448,431
% of Total Revenues	6.75%	26.07%
<b>TOTAL EXPENDITURES</b>		
Salaries and Benefits	\$611,874	\$528,293
% of Total Expenditures	43.22%	30.88%
Purchased Services	\$190,558	\$169,500
% of Total Expenditures	13.46%	9.91%
All Other Expenditures	\$613,360	\$1,013,138
% of Total Expenditures	43.32%	59.22%
<b>TOTAL NET POSITION</b>		
	\$779,718	\$211,896
<b>INVESTMENT IN CAPITAL ASSETS</b>		
	\$0	\$0
<sup>1</sup> The FY 2022 beginning net position was restated by \$219,784 due to a change in accounting principle from generally accepted accounting principles (GAAP) basis to modified cash basis of accounting. Percentages may not add due to rounding.		

<b>REGIONAL SUPERINTENDENT</b>
During Audit Period: Honorable Diana Hartmann
Currently: Honorable Diana Hartmann

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **CONTROLS OVER FINANCIAL STATEMENT PREPARATION**

**The Regional Office of Education #44 did not have sufficient internal controls over the financial reporting process.**

The Regional Office of Education #44 (ROE) did not have sufficient internal controls over the financial reporting process. During the review of the ROE's financial information, it was noted the ROE did not have sufficient internal controls over the financial reporting process to ensure financial statement transactions were accurately reported.

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 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 financial reporting should include adequately trained personnel with the knowledge and expertise to prepare and/or thoroughly review financial statements to ensure that they are free of material misstatements and include all disclosures as required by the Governmental Accounting Standards Board (GASB).

Section C of the State and Federal Grant Administration Policy, Fiscal Requirements, and Procedures and 23 Illinois Administrative Code 100 (Subtitle A) requires separate accounting and expenditure reporting of each grant/project.

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, states special revenue funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes other than debt service or capital projects. The general fund should be used to account for and report all financial resources not accounted for and reported in another fund. Fund balance should be reported as restricted when constraints placed on the use of resources are externally imposed by grantors.

The auditors noted the following misstatements during the review of the ROE's financial information:

- Overstatements in the Statement of Net Position for the Due from Other Governments by \$11,969, Due from Other Funds by \$12,443, Due to Other Funds by \$12,443, and Due to Other Governments by \$231,753; and understatements in Cash by \$474, Net Position,

Restricted for Education Purposes by \$204,799, and Net Position, Unrestricted by \$15,459.

- Overstatements in the Statement of Activities for Expenses, Purchased Services and Other Support Services by \$948 and \$5,000 respectively; and understatements in Expenditures, Supplies and Materials and Capital Outlay by \$474 and \$5,000, respectively. Consequently, the Change in Net Position was understated by \$474.
- In the General Fund Balance Sheet, the Due from Other Funds and Due to Other Governments were overstated by \$3,615 and \$18,600, respectively; while the Fund Balance, Unassigned was understated by \$14,985.
- Overstatements in the Education Fund Balance Sheet for the Due from Other Governments by \$11,969, Due from Other Funds by \$474, Due to Other Funds by \$474, Due to Other Funds by \$12,443, and Due to Other Governments by \$213,153; and understatements in Cash by \$474, Fund Balance, Restricted by \$213,153, and Fund Balance, Unassigned by \$474.
- In the Institute Fund Balance Sheet, the Due from Other Funds and Fund Balance, Restricted were both overstated by \$8,354.
- In the Education Fund Statement of Revenues, Expenditures and Changes in Fund Balances, Expenditures, Purchased Services and Other Support Services were overstated by \$948 and \$5,000 respectively; while Expenditures, Supplies and Materials and Capital Outlay were understated by \$474 and \$5,000, respectively. Consequently, the Net Change in Fund Balances was understated by \$474.
- Overstatements in the combining Schedule of Accounts, General Fund, for the Due from Other Funds by \$3,615 and Due to Other Governments by \$18,600. The Unassigned Fund Balance was understated by \$14,985.
- Overstatements in the Combining Schedule of Accounts, Education Fund, ROE/ISC Operations, for the Due from Other Governments by \$11,969, Due from Other Funds by \$474, Due to Other Funds by \$11,969, and Due to Other Governments by \$213,153. Cash and Restricted Fund Balance were understated by \$474 and \$213,153, respectively.

- In the Combining Schedule of Accounts, Education Fund, Elementary and Secondary School Emergency Relief, Due to Other Funds was overstated by \$474 and Unassigned Fund Balance was understated by \$474.
- Overstatements in the Combining Schedule of Revenues, Expenditures and Changes in Fund Balance, ROE/ISC Operations, for Revenues, Federal Sources by \$49,742; Expenditures, Salaries and Benefits by \$5,899, Purchased Services by \$27,881, Supplies and Materials by \$10,962 and Other Support Services by \$5,000.
- Understatements in the Combining Schedule of Revenues, Expenditures and Changes in Fund Balance, Elementary and Secondary School Emergency Relief, for Revenues, Federal Sources totaling \$20,030; Expenditures, Salaries and Benefits by \$5,899, Purchased Services by \$10,577, and Supplies and Materials by \$3,080. Consequently, the Net Change in Fund Balances was understated by \$474.
- Understatements in the Combining Schedule of Revenues, Expenditures and Changes in Fund Balance, Digital Equity, for Revenues, Federal Sources totaling \$29,712; Expenditures, Purchased Services by \$16,356, Supplies and Materials by \$8,356, and Capital Outlay by \$5,000.
- The ROE improperly classified transactions from federal sources totaling \$49,742 as General Fund (Fund) activities under the General Fund instead of a special revenue fund-the Education Fund. As a result, the unassigned fund balance is overstated, and the restricted fund balance is understated by \$49,742.
- Budgetary Comparison Schedules for the Education Fund Accounts, Elementary and Secondary School Emergency Relief Fund (ESSER) Project Years 2021 to 2023 and Digital Equity Project Years 2021 to 2022 were not properly prepared.
- The cash balance amounting to \$5,000 from one of the ROE's bank accounts was not recorded, thus understating the cash account balance of the General Fund.
- The beginning Net Position and Fund Balance were not properly restated to consider the ROE 44's conversion from modified accrual to modified cash basis of accounting, as well as the related financial statement disclosure was not included.

- The On-Behalf Payments – Local amounting to \$231,692 was not recorded as Revenues and Expenditures under the General Fund. Since the amounts that should be recorded under Revenues and Expenditures offset each other, the Net Change in Fund Balance and Ending Fund Balance for the General Fund was not affected.

The ROE subsequently revised its financial statements to correct these misstatements and omissions.

Regional Office management indicated that this was due to the transition with a newly hired 3<sup>rd</sup> party bookkeeper during the fiscal year. (Finding 23-001, pages 11 – 14)

The auditors recommended the ROE should implement comprehensive preparation and/or review procedures as part of their 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 basis of accounting selected for financial statements, GASB pronouncements, and knowledge of Regional Office of Education No. 44's activities and operations.

**ROE Response:** *Accounting firm who is contracted by the ROE to fulfill all accounting and audit preparation will review FY23 to prepare more accurately for FY24.*

#### **INADEQUATE INTERNAL CONTROL PROCEDURES**

**The Regional Office of Education #44 had inadequate internal control procedures.**

The Regional Office of Education #44 (ROE) did not have adequate internal control procedures. Auditors noted the following weaknesses in the ROE's internal control system for which there were no mitigating controls:

- 6 of 36 receipts tested (17%), totaling \$1,705, did not have sufficient documentation to support the nature, purpose, and classification of the transaction.
- 8 of 36 receipts tested (22%), totaling \$82,879, had no documentation when the checks were received. As a result, we were unable to determine whether non-electronic receipts were deposited in a timely manner.
- 45 of 48 (94%) monthly bank reconciliations were missing the date of when the reconciliation was prepared, therefore we were unable to determine if the bank reconciliation was prepared timely.

The Regional Superintendent of Schools is responsible for establishing and maintaining an internal control system over accounting transactions to prevent errors and fraud.

Regional Office management indicated the exceptions noted in the internal controls were due to the transition with a newly hired 3<sup>rd</sup> party bookkeeper during the fiscal year. (Finding 23-002, pages 15-16) **This finding was first reported in 2016.**

The auditors recommended that the ROE should ensure supporting documentation for receipt transactions are properly maintained; receipts have a documented received date to ensure timely deposits; and bank reconciliations for all bank accounts are performed timely with documentation of date performed.

**ROE Response:** *The accounting firm contracted by the ROE will request sufficient documentation or retrieve it from automatic deposit companies. For checks received by mail, the ROE will write the date received. The assistant superintendent will deposit within 5 business days excluding his vacation time. The accounting firm contracted by the ROE will date all monthly bank reconciliations.*

#### **DELAY OF AUDIT**

**The Regional Office of Education #44 did not provide completed financial statements in an auditable form by the August 31 deadline.**

The Regional Office of Education #44 (ROE) did not provide completed financial statements in an auditable form by the August 31 deadline. The completed financial statements were provided on April 25, 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. The ROE 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 has chosen the modified cash basis of accounting for financial 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 delay was due to not having a bookkeeper on a full-time basis. (Finding 23-003, pages 17-18) **This finding was first reported in 2018.**

The auditors recommended that 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 accounting firm contracted by the ROE will be late on FY24 due to catching up in the audit process for FY22 and FY23. Since FY24 is a full year with the accounting firm, they will have a much easier time preparing documents. It is our intention depending on the timing of the FY24 audit, to have the FY25 audit on time.*

#### **AUDITORS' OPINION**

Our auditors state the Regional Office of Education #44's financial statements as of June 30, 2023 are fairly stated in all material respects.

This financial audit was conducted by the firm of Adelfia LLC.



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JOE BUTCHER  
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.



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FRANK J. MAENTINO  
Auditor General

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