



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #47
LEE, OGLE, AND WHITESIDE COUNTIES

FINANCIAL AUDIT (In Accordance with the
 Uniform Guidance)
 For the Year Ended: June 30, 2018

Release Date: December 15, 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>	2017			
Category 1:	0	2	2		18-1		
Category 2:	0	1	1	2017	18-3		
Category 3:	1	0	1	2017		18-4	
TOTAL	1	3	4				
FINDINGS LAST AUDIT: 3							

SYNOPSIS

- **(18-1)** The Regional Office of Education #47's salaries and benefits were not supported by proper time and effort documentation.
- **(18-2)** The Regional Office of Education #47 did not provide completed financial statements in an auditable form by the August 31 deadline.
- **(18-3)** The Regional Office of Education #47 lacked written policies for federal grants.
- **(18-4)** The Regional Office of Education #47 did not have adequate subrecipient monitoring documentation.

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 #47
LEE, OGLE, AND WHITESIDE COUNTIES

FINANCIAL AUDIT
(In Accordance with the Uniform Guidance)
For The Year Ended June 30, 2018

	FY 2018	FY 2017
TOTAL REVENUES	\$5,239,993	\$5,613,060
Local Sources	\$677,648	\$701,350
% of Total Revenues	12.93%	12.49%
State Sources	\$2,492,744	\$2,141,603
% of Total Revenues	47.57%	38.15%
Federal Sources	\$2,069,601	\$2,770,107
% of Total Revenues	39.50%	49.35%
TOTAL EXPENDITURES	\$5,848,016	\$5,808,938
Salaries and Benefits	\$3,875,364	\$3,387,226
% of Total Expenditures	66.27%	58.31%
Purchased Services	\$899,410	\$971,738
% of Total Expenditures	15.38%	16.73%
All Other Expenditures	\$1,073,242	\$1,449,974
% of Total Expenditures	18.35%	24.96%
TOTAL NET POSITION	\$(1,957,739) ¹	\$(262,586)
INVESTMENT IN CAPITAL ASSETS	\$115,323 ²	\$113,530
¹ The FY 2018 beginning net position was restated by \$(1,087,130) due to a prior period adjustment for new reporting requirements for other postemployment benefits. ² Capital asset amounts include debt associated with a capital lease. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Robert Sondgeroth Currently: Honorable Chris Tennyson

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**SALARIES AND BENEFITS NOT SUPPORTED BY
PROPER TIME AND EFFORT DOCUMENTATION**

The Regional Office of Education #47's salaries and benefits were not supported by proper time and effort documentation.

The Regional Office of Education #47 (ROE) allocated salary and benefit costs to various federal and State grants based on time and effort documentation; however the time and effort documentation was not being approved by a supervisor to ensure charges are accurate, allowable, and properly allocated.

Employees of the ROE are required to document their time and effort working on federal and State programs. Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires charges for salaries and benefits to be supported by a system of internal control which provides reasonable assurance that charges are accurate, allowable, and properly allocated. It also requires that records are used to support the distribution of employees' salaries and benefits among specific activities if the employee only works part of the time on a federal award program. It further states that budget estimates alone do not qualify as support for salary and benefit charges to a federal award.

The Illinois State Board of Education (ISBE) *State and Federal Grant Administration Policy, Fiscal Requirements and Procedures*, requires that auditable time and effort reports should be written, after the fact documentation of how the time was spent. Budget estimates can be used for charging purposes, but a confirmation process or reconciliation must take place at some point after the charges are incurred to record the true effort and not merely use an estimate. Time and effort reports should be prepared by any staff with salary charged (1) directly to a federal award, (2) directly to multiple federal awards, or (3) directly to any combination of a federal award or other federal, state, or local funds. Additionally, all time and effort sheets and other supporting documentation must be retained at the local level and be available for review or audit any time within three years after termination of the project or until the local entity is notified in writing from ISBE that the records are no longer needed for audit or review. The ROE is responsible for establishing and maintaining a system of internal controls over payroll to prevent errors and fraud. This includes review of time and effort documentation.

Regional Office management indicated this was an oversight. (Finding 18-001, pages 14a – 14b)

The auditors recommended the ROE should implement written policies and procedures over time and effort reporting to

ensure proper documentation is being obtained and/or maintained in all instances to properly distribute salary and benefit costs for employees who work in whole or in part on grant program activity in accordance with the Uniform Guidance and the ISBE *State and Federal Grant Administration Policy, Fiscal Requirements and Procedures*. This would include having the documentation reviewed and formally approved by a supervisor.

ROE Response: *Effective April 2021, the Regional Office has developed written policies and procedures related to time and effort documentation.*

DELAY OF AUDIT

The Regional Office of Education #47 did not provide completed financial statements in an auditable form by the August 31 deadline.

The Regional Office of Education #47 (ROE) did not provide completed financial statements in an auditable form by the August 31 deadline.

Regional Office of Education #47 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.

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 the 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.

Fieldwork was originally scheduled for the week of November 2, 2020. Fieldwork was not able to begin due to the ROE not having its records to the outside accounting firm to assist in adjusting the financial statements to an auditable form.

Fieldwork was then rescheduled for the week of May 10, 2021.

Regional Office management indicated they did not provide their books to their outside accountant in time to fully adjust and prepare their financial statements in an auditable form. (Finding 18-002, pages 14c – 14d)

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 basis or modified cash basis would be allowable and beneficial to the ROE and users of its 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: *Management agrees with the finding.*

LACK OF WRITTEN POLICIES FOR FEDERAL GRANTS

The Regional Office of Education #47 lacked written policies for federal grants.

The Regional Office of Education #47 (ROE) did not have written procedures concerning cash management, the determination of allowability of costs in accordance with Subpart E – Cost Principles of the *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the terms and conditions of the federal award. In lieu of written procedures, the ROE utilized informal procedures in which each purchase made or cost allocated to the Individuals with Disabilities Education Act (IDEA) – Improvement Grant – Part D was reviewed for allowability by an individual with knowledge of the budget, allowable costs and activities, and the cash management requirements. The allowability determinations were based on the amounts included in the budgets for the IDEA – Improvement Grant – Part D approved by, and the grant periods set by, the Illinois State Board of Education (ISBE).

The Uniform Guidance, contained in 2 CFR Part 200, became effective for all federal award programs administered by the ROE that were issued on or after December 26, 2014. Specifically, the Uniform Guidance (2 CFR 200.302(b)(7)) requires the ROE to have written procedures related to cash management and for determining the allowability of costs in accordance with Subpart E – Cost Principles of the Uniform Guidance and the terms and conditions of the federal award.

Regional Office management indicated they were unable to dedicate the time needed to fully implement the Uniform

Guidance due to competing priorities. (Finding 18-003, pages 15b – 15c)

The auditors recommended the ROE prepare written procedures to implement the requirements related to cash management for determining the allowability of costs in accordance with Subpart E – Cost Principles of the Uniform Guidance and the terms and conditions of the federal award.

ROE Response: *Effective April 2021, the Regional Office has developed written policies and procedures related to the Uniform Guidance.*

SUBRECIPIENT MONITORING DOCUMENTATION

The Regional Office of Education #47 did not have adequate subrecipient monitoring documentation.

During the audit, the Regional Office of Education #47 (ROE) was providing the subrecipient monitoring certification to the Illinois State Board of Education, the funding agency for Individuals with Disabilities Education Act (IDEA) – Improvement Grant – Part D, when required. However, the certifications were not obtained from the subrecipients of this program.

Auditors also noted that there were no formal documented procedures for monitoring subrecipients, including formal completion of risk assessments and the documentation of an assessed level of risk of noncompliance for each subrecipient as required by Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administration Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Additionally, it was noted that one requisition related to subrecipient disbursements was not approved by the Assistant Regional Superintendent or Regional Superintendent as required by the ROE’s established internal control procedures.

The Uniform Guidance requires the ROE to provide a specific certification to funding agencies on all annual and final fiscal reports or vouchers requesting payment, and conversely, requires the ROE to obtain such certification from its subrecipients (2 CFR 200.415(a)).

The Uniform Guidance (2 CFR 200.331(b)) also requires the ROE to evaluate each subrecipient’s risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring (cite was changed to 2 CFR 200.332(b) in November 2020).

Regional Office management indicated they were unable to dedicate the time needed to fully implement the Uniform Guidance due to competing priorities. Additionally, ROE

management indicated this was an oversight. (Finding 18-004, pages 15d – 15e)

The auditors recommended the ROE develop written policies and procedures to ensure all annual and final fiscal reports or vouchers requesting payment received from subrecipients of federal awards include the certification required by 2 CFR 200.415(a). The auditors also recommended the ROE formalize, in writing, its subrecipient monitoring procedures, which would include formally performing and documenting risk assessments for each subrecipient, as required and described in 2 CFR 200.331(b). Additionally, the ROE should take steps to ensure its established internal control policies are being followed.

ROE Response: *Effective April 2021, the Regional Office has added the following certification to expenditure reports submitted by its subrecipients:*

By signing this report, I certify to the best of my knowledge and belief that the report is true, complete, and accurate, and the expenditures, disbursements, and cash receipts are for the purpose and objectives set forth in the terms and conditions of the Federal award. I am aware that any false, fictitious, or fraudulent information, or the omission of any material fact may subject me to criminal, civil, or administrative penalties for fraud statements, false claims, or otherwise. (US Code Title 18, Section 1001 and Title 31, sections 3729-3730 and 3801-3812)

In addition, the ROE is implementing formal risk assessment monitoring procedures for its subrecipients. The ROE will take steps to ensure its established internal control policies are being followed.

AUDITORS' OPINION

Our auditors state the Regional Office of Education #47's financial statements as of June 30, 2018 are fairly presented in all material respects.

This financial audit was conducted by the firm of Kemper CPA Group LLP.

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:JMM