



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #49
ROCK ISLAND COUNTY

FINANCIAL AUDIT
For the Year Ended: June 30, 2021

Release Date: March 3, 2022

FINDINGS THIS AUDIT: 2				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	2007		21-1	
Category 1:	0	0	0				
Category 2:	1	1	2				
Category 3:	0	0	0				
TOTAL	1	1	2				
FINDINGS LAST AUDIT: 1							

SYNOPSIS

- **(21-1)** The Regional Office of Education #49 lacked sufficient internal controls over the financial reporting process.
- **(21-2)** The Regional Office of Education #49 lacked sufficient internal controls over timely expenditure report submission.

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 #49
ROCK ISLAND COUNTY

FINANCIAL AUDIT
For The Year Ended June 30, 2021

	FY 2021	FY 2020
TOTAL REVENUES	\$4,908,672	\$4,783,479
Local Sources	\$248,341	\$283,547
% of Total Revenues	5.06%	5.93%
State Sources	\$4,212,045	\$3,850,158
% of Total Revenues	85.81%	80.49%
Federal Sources	\$448,286	\$649,774
% of Total Revenues	9.13%	13.58%
TOTAL EXPENDITURES	\$4,862,823	\$4,739,011
Salaries and Benefits	\$2,392,218	\$2,081,518
% of Total Expenditures	49.19%	43.92%
Purchased Services	\$1,471,266	\$1,688,490
% of Total Expenditures	30.26%	35.63%
All Other Expenditures	\$999,339	\$969,003
% of Total Expenditures	20.55%	20.45%
TOTAL NET POSITION	\$154,271 ¹	\$109,418
INVESTMENT IN CAPITAL ASSETS	\$47,907	\$45,006
¹ The FY 2021 beginning net position was restated by \$996 due to the reclassification of a fund under new reporting requirements for fiduciary funds. Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Tammy Muerhoff Currently: Honorable Tammy Muerhoff

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The Regional Office of Education #49 lacked sufficient internal controls over the financial reporting process.

The Regional Office of Education #49 (ROE) lacked sufficient internal controls over the financial reporting process. 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) based financial statements for management or employees in the normal course of performing their assigned functions to prevent, or detect and correct, financial statement misstatements and disclosure omissions in a timely manner.

Effective June 25, 2021, Public Act 102-0025 allowed a Regional Office of Education or Educational Service Center to utilize a cash basis, modified cash basis, or GAAP basis of accounting to prepare the 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. 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 Regional Office's financial information prepared by the ROE, it was noted the ROE did not have adequate controls to ensure financial statement balances were accurate. While the ROE did maintain records to indicate the balances of financial statement accounts, the following audit adjustments were proposed in order to ensure those balances were accurate:

- An entry was proposed to increase accounts payable and capital assets in the proprietary funds for \$4,250;
- An entry was proposed to increase cash and revenue in the institute fund for \$1,000; and
- An entry was proposed to increase local on-behalf revenue and expenditures for \$6,578.

Regional Office officials indicated they did not effectively detect all of the adjustments needed in order to present financial statements in accordance with GAAP. (Finding 2021-001, pages 11 – 12) **This finding was first reported in 2007.**

The auditors recommended that the ROE should implement comprehensive preparation and/or review procedures as part

of their internal control over the preparation of financial statements to ensure that 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 applicable GAAP, GASB pronouncements, and knowledge of the ROE’s activities and operations. Additionally, the ROE management should consider Public Act 102-0025 to determine if changing to the cash or modified cash basis would be allowable or beneficial to the ROE and users of the ROE’s financial statements.

ROE Response: *The ROE will acquire the necessary information and training in order to ensure the financial statement balances are accurate and eliminate the need for numerous material audit adjustments. Additionally, the ROE obtained services from an auditing firm to conduct financial statement preparation for the audit process in fiscal years 2018-2019, 2019-2020, and 2020-2021 and will continue to do so for the 2021-2022 fiscal year. Additionally, subsequent support has been sought by an accounting firm to lend support for review of records and financial information to prepare further for the financial statement preparation.*

CONTROLS OVER TIMELY EXPENDITURE REPORT SUBMISSION

The Regional Office of Education #49’s (ROE) internal controls over expenditure report submission were not effective. Six of thirteen expenditure reports for Illinois State Board of Education (ISBE) grants selected for testing were not submitted timely. Specifically, the following expenditure reports were not submitted timely:

The Regional Office of Education #49 lacked sufficient internal controls over timely expenditure report submission.

Program	Quarter Ended	Submit Date	Days Late
Title IV – 21 st Century John Deere Middle School	6/30/2021	9/8/2021	50
Title IV – 21 st Century Wilson Middle School	6/30/2021	9/8/2021	50
Regional Safe Schools Program	6/30/2021	7/21/2021	1
Early Childhood – Emergency Funds	3/31/2021	5/11/2021	21
Early Childhood – Governor’s Emergency Education Relief	6/30/2021	8/3/2021	14
Early Childhood – Preschool for All Expansion	6/30/2021	8/3/2021	14

The Illinois Grant Funds Recovery Act (30 ILCS 705/4) requires State grant recipients with awards in excess of \$25,000 to submit quarterly expenditure reports to reflect the progress of the grant program. The ISBE requires all grant recipients regardless of amount awarded, to submit quarterly expenditure reports. The *State and Federal Grant Administration Policy, Fiscal Requirements, and Procedures* of the ISBE Division of Funding and Disbursement Services requires expenditure reports to be filed within 20 calendar days of the end of each reporting quarter.

Regional Office officials indicated they did not effectively detect that the expenditure reports had not been submitted prior to the due dates. (2021-002, pages 13 – 14)

The auditors recommended the ROE should take appropriate steps to ensure the expenditure reports are filed within the prescribed guidelines set forth by ISBE.

ROE Response: *The Regional Superintendent will meet with the bookkeeper and applicable grant program personnel prior to the due dates of the expenditure reports to review the information and ensure that all necessary information to the expenditure report is readily available and identify a date for submittal of each report prior to the due dates.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #49's financial statements as of June 30, 2021 are fairly presented in all material respects.

This financial audit was conducted by the firm of Winkel, Parker & Foster, CPA PC.

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:JRB