



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

REGIONAL OFFICE OF EDUCATION #56
WILL COUNTY

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

Release Date: January 22, 2025

FINDINGS THIS AUDIT: 7	AGING SCHEDULE OF REPEATED FINDINGS			
	Repeated Since	Category 1	Category 2	Category 3
Category 1:	<u>2</u>	<u>0</u>	<u>2</u>	No Repeat Findings
Category 2:	<u>2</u>	<u>0</u>	<u>2</u>	
Category 3:	<u>3</u>	<u>0</u>	<u>3</u>	
TOTAL	<u>7</u>	<u>0</u>	<u>7</u>	
FINDINGS LAST AUDIT: 0				

SYNOPSIS

- (23-1) The Regional Office of Education #56 had inadequate controls over Journal Entries.
- (23-2) The Regional Office of Education #56 had inadequate controls over Procurement-Card Transactions.
- (23-3) The Regional Office of Education #56 did not provide completed books and records in an auditable form by the August 15 deadline.
- (23-4) The Regional Office of Education #56 had inadequate controls over Payroll.
- (23-5) The Regional Office of Education #56 had inadequate controls over Expenditures.
- (23-6) The Regional Office of Education #56 did not have a written Procurement Policy.
- (23-7) The Regional Office of Education #56 had inadequate controls over the timely submission of Expenditure Report to the Illinois State Board of Education.

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 #56
WILL COUNTY

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

	FY 2023	FY 2022
TOTAL REVENUES	\$6,594,380	\$5,913,978
Local Sources	\$2,245,227	\$1,881,154
% of Total Revenues	34.05%	31.81%
State Sources	\$3,020,209	\$2,585,969
% of Total Revenues	45.80%	43.73%
Federal Sources	\$1,328,944	\$1,446,855
% of Total Revenues	20.15%	24.47%
TOTAL EXPENDITURES	\$6,077,518	\$5,323,141
Salaries and Benefits	\$3,558,576	\$2,757,787
% of Total Expenditures	58.55%	51.81%
Purchased Services	\$1,257,800	\$948,609
% of Total Expenditures	20.70%	17.82%
All Other Expenditures	\$1,261,142	\$1,616,745
% of Total Expenditures	20.75%	30.37%
TOTAL NET POSITION	\$6,354,076	\$5,837,214
INVESTMENT IN CAPITAL ASSETS	\$19,170	7,353
Percentages may not add due to rounding.		

REGIONAL SUPERINTENDENT
During Audit Period: Honorable Dr. Shawn T. Walsh Currently: Honorable Dr. Lisa Caparelli-Ruff

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

LACK OF CONTROLS OVER JOURNAL ENTRIES

The Regional Office of Education #56 had inadequate controls over journal entries.

The Regional Office of Education #56 (ROE) did not have adequate controls over journal entries. The ROE was unable to provide documentation to support 6 of 8 (75%) journal entries tested. Consequently, the auditors were unable to determine the reasonableness of four of these entries. In addition, there was no indication that these six journal entries were approved by supervisory personnel.

An effective system of internal controls includes the maintenance of documentation to support journal entries as well as evidence of supervisory approval of those entries.

Statement of Auditing Standards No. 99 notes that “Material misstatements of financial statements due to fraud often involve the manipulation of the financial reporting process by (a) recording inappropriate or unauthorized journal entries throughout the year or at period end, or (b) making adjustments to amounts reported in the financial statements that are not reflected in formal journal entries, such as through consolidating adjustments, report combinations and reclassifications.” Inadequate controls over journal entries increases this risk.

Regional Office management indicated the ROE did not keep files or support for journal entries. (Finding 23-001, page 15)

The auditors recommended that policies be implemented to require 1) maintenance of supporting documentation for journal entries and 2) documented supervisory approval of journal entries.

ROE Response: *The ROE agrees with the finding. Journal entries, with supporting documentation and an explanation, will be posted only after the signed approval of the Regional Superintendent or a designee.*

INADEQUATE CONTROLS OVER PROCUREMENT-CARD TRANSACTIONS

The Regional Office of Education #56 had inadequate controls over Procurement-Card Transactions.

The Regional Office of Education #56 (ROE) had inadequate controls over procurement-card transactions. Internal controls over disbursements are not effectively designed and implemented. While obtaining an understanding of the procurement-card (P-card) transaction process, auditors noted that supporting documentation was not consistently maintained for all P-card transactions. Based on a review of three months of credit card statements, four larger transactions of over \$1,000 each totaling \$13,513 did not include all credit card

slips or other documentation as to the purpose or details of the purchase.

The ROE is required to maintain a system of controls over disbursements to prevent errors, omissions, and fraud.

Regional Office management indicated that a consistent review and approval process was not in place for all P-card users. (Finding 23-002, page 16)

The auditors recommended the ROE establish a consistent policy for P-card use which includes submission of P-card documentation for each use and a reconciliation of such documentation to monthly statements.

ROE Response: *The ROE agrees with the finding. A policy will be adopted and the p-card purchases will be supported by receipts, coded to the chart of accounts, and reconciled monthly.*

DELAY OF AUDIT

The Regional Office of Education #56 did not provide completed books and records in an auditable form by the August 15 deadline.

The Regional Office of Education #56 (ROE) did not provide completed books and records in an auditable form by the August 15 deadline. While the ROE provided draft financial statements by August 31, 2023, they did not have all books and records available in an auditable form by the August 15th deadline. The actual start date of audit fieldwork was postponed until March 13, 2024 as that was the earliest date by which the ROE was prepared for the audit.

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 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 (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 for the annual audit to be completed by an independent auditor selected by the Auditor General.

Regional Office management indicated they incurred key employee turnover which has put them behind in financial reporting. (Finding 23-003, pages 17-18)

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). All books and records deemed necessary to make and complete the required audits shall be in auditable form by the August 15th deadline.

ROE Response: *Management agrees with the finding. A new CFO/CPA is being hired and will improve financial reporting and coordination with the independent auditor.*

INADEQUATE CONTROLS OVER PAYROLL

The Regional Office of Education #56 had inadequate controls over payroll.

The Regional Office of Education #56 (ROE) did not have adequate controls over payroll. During the auditors testing of a sample of four payroll transactions from the McKinney Education for Homeless Children grant, auditors noted that time sheets or time and effort reports were not available for any employees tested. As a result, we were unable to determine the accuracy of the payments to those employees.

Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) section 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.

The Uniform Guidance section 200.303 Internal Controls states the following: “The non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

During our testing of an additional sample of 40 payroll transactions covering 29 employees and 10 pay periods of the ROE for purposes of testing controls over financial reporting, auditors noted the following:

- Contracts specifying gross pay could not be provided for six employees
- Three employee contracts lacked approval by the

Regional Superintendent

- Twelve payroll transactions were not supported by timesheets
- Timesheets for four payroll transactions lacked supervisory approval
- The Payroll Payment Authorization form for one pay period was not approved by the Regional Superintendent

During our testing of salary expenditures we noted that total wages reported on the quarterly Form 941s for the year were \$152,269 less than salary expenditures reported in the general ledger accounts. ROE personnel could not explain the variance or provide a reconciliation of Form 941 amounts to the general ledger.

Regional Office management indicated that Lincoln School has had several bookkeepers recently and the current bookkeeper has only been at her position for a short amount of time and did not have access to and/or could not locate these files. (Finding 23-004, pages 19-21)

The auditors recommended that the ROE:

- Review their payroll files to ensure that contracts approved by the Regional Superintendent or other authorization for pay rates exist;
- Enhance procedures to ensure that timesheets or time and effort reports are prepared, maintained and approved;
- Ensure that Payroll Payment Authorization Forms are approved by the Regional Superintendent prior to payment of the payroll; and
- Prepare and maintain documentation reconciling Form 941 wages to the general ledger salary expenditures.

ROE Response: *The ROE agrees with the finding. The new CFO/CPA will ensure contracts support the payroll and that rates have approval and a rationale; timesheets are approved and maintained properly; payroll is approved by the Regional Superintendent prior to payroll; and, that 941's are reconciled to the general ledger.*

INADEQUATE CONTROLS OVER EXPENDITURES

The Regional Office of Education #56 had inadequate controls over expenditures.

The Regional Office of Education #56 (ROE) had inadequate controls over expenditures. During the auditors testing of a sample of 40 expenditures of McKinney Education for Homeless Children grant funds by the ROE, auditors noted that six expenditures totaling \$52,005 did not have any supporting documentation. In addition, for those expenditures with supporting documentation, none of the invoices were stamped "paid".

The *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) require that the Regional Office follow the standards set forth at 2 CFR 200.334 that requires “Financial records, supporting documents, statistical records, and all other non-Federal entity records pertinent to a Federal award must be retained for a period of three years from the date of submission of the final expenditure report or, for Federal awards that are renewed quarterly or annually, from the date of the submission of the quarterly or annual financial report, respectively, as reported to the Federal awarding agency or pass-through entity in the case of a subrecipient.”

The Uniform Guidance section 200.303 Internal Controls states the following: “The non-Federal entity must: Establish and maintain effective internal control over the Federal award that provides reasonable assurance that the non-Federal entity is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.”

In addition, ROE practices require the stamping of invoices as “paid” when processed in order to avoid duplicate payments.

During testing of an additional sample of 40 expenditure transactions of the ROE for purposes of testing controls over financial reporting, auditors noted the following:

- No documentation was available for four expenditures
- No supporting invoices, but only purchase orders, were available for three expenditures
- One invoice was not stamped “paid”.

Regional Office management indicated that they have gone through many personnel changes recently and the new personnel had some difficulty finding files from when their predecessors were employed. Also, the “paid” stamp should have been used but was not used by everyone. (Finding 23-005, pages 22-23)

The auditors recommended the ROE establish procedures to ensure that documentation supporting expenditures of federal awards is maintained in accordance with the Uniform Guidance. In addition, auditors recommend that the ROE’s practice of cancelling invoices upon payment be consistently followed.

ROE Response: *The ROE agrees with the finding. Expenditures of federal funds will be more closely monitored, more adequately supported, and paid invoices will be marked as paid. Uniform Guidance will be more closely followed.*

LACK OF WRITTEN PROCUREMENT POLICY

The Regional Office of Education #56 did not have a written procurement policy.

The Regional Office of Education #56 (ROE) did not have documented procurement policies in accordance with Federal requirements.

Title 2 US *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance) Section 200.318 general procurement standards provide:

(a) The non-Federal entity must have and use documented procurement procedures, consistent with State, local, and tribal laws and regulations and the standards of this section for the acquisition of property or services required under a Federal award or subaward. The non-Federal entity's documented procurement procedures must conform to the procurement standards identified in Section 200.317 through 200.327.

Regional Office management indicated that they never prioritized completing a procurement policy. (Finding 23-006, pages 25 – 26)

The auditors recommended the ROE establish documented procurement policies in accordance with Uniform Guidance.

ROE Response: *The ROE agrees with the finding. A documented procurement policy will be established in accordance with Uniform Guidance.*

LATE SUBMISSION OF EXPENDITURE REPORT TO THE ILLINOIS STATE BOARD OF EDUCATION

The Regional Office of Education #56 had inadequate controls over the timely submission of Expenditure Report to the Illinois State Board of Education.

The Regional Office of Education #56 (ROE) had inadequate controls over the timely submission of Expenditure Report to the Illinois State Board of Education (ISBE). One out of five (20%) expenditure reports tested was submitted by the ROE to ISBE 63 days after the period end or 43 days late.

Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) requires that a non-federal entity's financial management system, including records documenting compliance with federal statutes, regulations, and the terms and conditions of the federal award, must be sufficient to permit the preparation of reports required by general and program-specific terms and conditions; and the tracing of funds to a level of expenditures adequate to establish that such funds have been used according to the federal statutes, regulations and the terms and conditions of the federal award. Furthermore, the non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance

with federal statutes, regulations and the terms and conditions of the federal award.

ISBE requires monthly expenditure reports to be submitted within 20 days after the period end.

Regional Office management indicated that expenditures for this grant were not able to be entered into ISBE's system until October resulting in a shorter time frame for submission compared to the other quarters. (Finding 23-007, page 28)

The auditors recommended the ROE establish procedures to ensure that reports are submitted on a timely basis.

ROE Response: *The ROE agrees with the finding. Procedures will be established to ensure that expenditure reports are filed on a timely basis.*

AUDITORS' OPINION

Our auditors state the Regional Office of Education #56's financial statements as of June 30, 2023 are fairly presented in all material respects.

This financial audit was conducted by the firm of GW & Associates 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:JMM