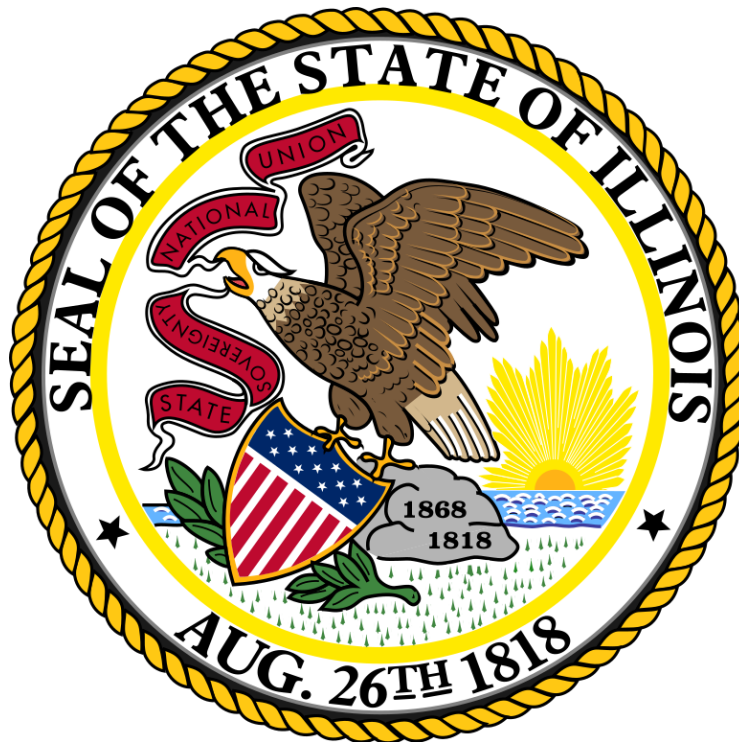


LEGISLATIVE AUDIT COMMISSION



Review of
Boone/Winnebago Counties
Regional Office of Education #4
Year Ended June 30, 2017

622 Stratton Office Building
Springfield, Illinois 62706
217/782-7097

**REVIEW: 4528
BOONE/WINNEBAGO COUNTIES
REGIONAL OFFICE OF EDUCATION #4
TWO YEARS ENDED JUNE 30, 2017**

**FINDINGS/RECOMMENDATIONS – 8
ACCEPTED – All**

**IMPLEMENTED – 8
PARTIALLY IMPLEMENTED – 0**

REPEATED RECOMMENDATIONS – 4

PRIOR AUDIT FINDINGS/RECOMMENDATIONS – 5

This review summarizes the audit of Boone/Winnebago Counties Regional Office of Education #4 for the year ended June 30, 2017, filed with the Legislative Audit Commission on May 11, 2021. The auditors conducted a compliance examination in accordance with state law and Government Auditing Standards. The auditors stated that the Regional Office of Education #4's financial statements as of June 30, 2017 were fairly presented.

The Regional Superintendent of Schools is the chief administrative officer of the region and elected to a four-year term pursuant to Article 3 of state law, ILCS 105-The Regional Superintendent is responsible for the supervision and control of the school districts.

The Regional Superintendent for Region #4 during the 12-month audit period was Dr. Lori Fanello. The current Honorable Scott Bloomquist became the Regional Superintendent on July 1, 2019.

Regional Superintendents have the following main responsibilities:

- Responsibility for township fund lands;
- Registration of the names and applicants for scholarships to state universities;
- Examinations and related duties;
- Visitations of public schools;
- Direction of teachers and schools;
- Serve as official advisor and assistant of school officers and teachers;
- Conduct teacher institutes as well as aid and encourage the formation of other teachers' meetings and assist in their management;
- Evaluate schools in the region;
- Examine evidence of indebtedness;
- File and keep the returns of elections required to be returned to the ROE Superintendent's office;

REVIEW #4528: FY17 Financial Audit ROE #4 – Boone/Winnebago Counties

- File and keep the reports and statements returned by school treasurers and trustees.

Other Superintendents’ duties include:

- Conducting a special census, when required;
- Provide notice of money distributed to treasurers, board presidents, clerks and secretaries of the school districts on or before each Sept. 30;
- maintenance of a map and numbering of the region’s districts;
- Inspecting and approving building plans which comply with state law;
- Perform and report on annual building inspections; investigate bus drivers for valid permits and taking action as may be required;
- maintain a list of unfilled teaching positions; and
- Carrying out other related duties required or permitted by law.

ROE #4 reports the following major government funds (with examples below):

- General Fund;
 - Ed Service Center #1;
 - General Operations;
 - Regional Alternative School-General State Aid;
- Major Special Revenue Funds;
 - Education Fund;
 - McKinney-Vento Homeless Children and Youth;
 - Regional Safe Schools;
 - ISBE Title I-School Improvement & Accountability, Title II-Teacher Quality-Leadership,
- Nonmajor Special Revenue Funds;
 - GED;
 - Bus Driver Training;
 - Testing Center.

Revenues and Expenditures

Revenues to Regional Office No. 4 are as follows: (for the year ended June 20, 2017)

	General Fund	FY 17 Totals
Total Revenues	\$3,782,700	\$6,136,600
Local Sources	\$795,324	1,162,000
% of Total Revenues	21%	19%
State Sources	\$2,168,200	3,028,100
% of Total Revenues	57%	49%
Federal Sources	\$107,500	1,234,800
% of Total Revenues	3%	20%

Expenditures by Regional Office No. 4 are as follows:

	General Fund	FY 17 Totals
Total Expenditures	\$3,598,800	\$5,956,800
Salaries and Benefits	\$2,328,600	\$3,596,900
% of Total Expenditures	65%	60%
Purchased Services	\$179,300	\$740,200
% of Total Expenditures	5%	1%
All Other Expenditures	\$1,090,900	\$1,619,700
% of Total Expenditures	31%	27%
Fund Balances, Begin of Year	\$1,072,200	\$1,083,000
Fund Balances, End of Year	\$1,249,600	\$1,233,500

The total assets on June 30, 2017 was \$4,555,400 compared to total liabilities of \$2,254,769. The total Net Position was \$2,300,384. Source: Exhibit A, p. 18 of audit report.

Accountants' Findings and Recommendations

Condensed below are the 8 findings and recommendations included in the audit report. Of these, 4 are repeated from the previous audit. The following recommendations are classified on the basis of information provided by the Boone/Winnebago Counties, Regional Office of Education No. 4, via electronic mail received March 10, 2022.

Recommendations

- ROE #4 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. These financial statements need to be presented to the Auditor General's independent auditors for audit by the August 31 deadline.**

FINDING: *(Delay of Audit)*

Condition:

ROE #4 did not provide completed financial statements in an auditable form by the August 31, 2017 deadline. ROE #4 initially provided adjusted working trial balances and substantial audit supporting schedules on February 6, 2020. Revised working trial balances were provided on March 2, 2020 and final financial statements on March 9, 2020. The final remaining outstanding audit support schedule was not provided until November 16, 2020.

Effect:

When financial statements and records are not provided in a timely manner, delays in the audit occur and the usefulness of the financial statements and related findings resulting from the audit is impacted. Additionally, untimely financial statements could result in repercussions from granting agencies including a loss of funding.

Cause:

ROE #4's management indicated internal personnel issues and software program changes caused the office to experience difficulty in providing information by the required timeline.

RESPONSE:

ROE #4 hired a Certified Public Accounting firm to prepare all financial statements for the audit.

UPDATED RESPONSE: Implemented.

Anticipated Date of Completion: Feb/March of 2018

2. **ROE #4 should assign a member of management with suitable skills, knowledge, and experience to review the accuracy of payroll calculations each pay period. Additionally, supporting payroll schedules and trial balance reports need to be monitored for completeness and accuracy at regular intervals throughout the year.**

FINDING: *(Controls over Fund Accounting)*

Condition:

ROE #4 did not have adequate controls and monitoring over the maintenance of complete and accurate records of employee benefits. A TRS audit for the year of July 1, 2014 – June 30, 2015 disclosed TRS members had net excess TRS withholdings of \$8,972. ROE #4 determined gross TRS withholdings due to individual members as of June 30, 2016 was \$13,190. The Regional Office received the excess contributions from the State of Illinois on November 3, 2015. Current employees were reimbursed December 2020 and non-current employees have not yet been reimbursed. Additionally, costs incurred from employee underpayments were absorbed by the Regional Office.

Effect:

ROE #4's management or employees, in the normal course of performing their assigned functions, did not prevent or detect financial statement misstatements in a timely manner.

Cause:

ROE #4's management indicated due to internal personnel issues and software program changes, the office experienced difficulty in performing their required duties.

RESPONSE: Implemented.

REVIEW #4528: FY17 Financial Audit ROE #4 – Boone/Winnebago Counties

ROE #4 hired a Certified Public Accounting firm to prepare all financial statements for the audit.

UPDATED RESPONSE:

Anticipated Date of Completion: Feb/March of 2018

- 3. The Regional Office should take appropriate steps to ensure the expenditure reports are filed within the prescribed guidelines set forth by the ISBE.**

FINDING: *(Controls over Timely Expenditure Report Submission)*

Condition:

The Regional Office’s internal controls over expenditure report submission were not effective. Six expenditure reports for ISBE grants were not submitted timely. Specifically, the following expenditure reports were not submitted timely:

Program Name	Quarter Ended	Submit Date	Days Late
System of Support Title I – School Improvement and Accountability (17-4331-SS)	09/30/16	10/24/16	4
System of Support Title I – School Improvement and Accountability (17-4331-SS)	12/31/16	02/03/17	14
Title II – Teacher Quality-Leadership (17-4935-02)	06/30/17	07/24/17	4
Truants Alternative/Optional Education (16-3695-14)	06/30/17	07/27/17	7
Other State Programs (17-3999-RS)	09/30/16	12/21/16	62
Other State Programs (17-3999-RS)	06/30/17	07/21/17	1

Questioned Costs:

None.

Context:

Two quarterly System of Support Title I – School Improvement and Accountability expenditure reports and four other expenditure reports were examined, noting that the expenditure reports were not submitted within 20 calendar days of the end of each quarter.

Effect:

Grant programs could be frozen by ISBE and future payments could be delayed if reports are not submitted in a timely manner.

Cause:

Regional Office of Education #4’s management indicated due to internal personnel issues and software program changes, the office experienced difficulty in providing information by the required timeline.

RESPONSE:

Personnel changes transpired, more training was provided to new staff, and ROE#4 began transitioning to a new finance program to expedite reporting.

UPDATED RESPONSE: Implemented.

Anticipated Date of Completion: A new accounting software program went live on January 1, 2018 and an additional staff member with an accounting degree was added in March 2019.

- 4. Auditors recommend ROE #4 complete and maintain employment agreements. Documentation should also be maintained for any payment received outside of any employee's annual agreed upon salary. We also recommend the Regional Office update the written payroll policy procedures to include obtaining and maintaining the employment agreement documentation and payroll change orders.**

FINDING: *(Inadequate internal controls over pay-rate)*

Condition:

During the course of the audit, auditors noted the following control issues:

- 7 of the 37 (19%) employment agreements tested were not retained in Regional Office personnel files.
- In 5 of the 37 (14%) employment agreements tested employees were paid more than the compensation agreed to within the employment agreement. No payroll change order to document the approved increase or additional compensation was included in the Regional Office personnel files.
- In 1 of 8 (13%) timesheets tested, the pay-rate within the payroll system did not agree to the compensation stated in the employment agreement. No payroll change order to document the approved increase or additional compensation was included in the Regional Office personnel files.
- Payroll processes documented in the ROE's financial reporting system policy manual did not include processes for obtaining and retaining employment agreements.

Questioned Costs:

Undeterminable.

Context:

Total salaries for the Regional Office for FY17 were \$434,843 for Title I – School Improvement and Accountability.

Effect:

Lack of sufficient internal controls over the pay-rate process of the Regional Office could result in unintentional or intentional errors or misappropriations of assets which could be

material to the financial statements and may not be detected in a timely manner by employees or management in the normal course of performing their assigned duties.

Cause:

Regional Office of Education #4's management indicated an Administrative Assistant maintained separate files, records, and storage and only turned in a spreadsheet for payment to payroll. When consultant rates changed the grant manager was not consistent in follow-up with amended contracts or agreements and no written policy existed outlining the process to obtain employment agreements.

RESPONSE:

All employee agreements will be kept in one location within employee file in the HR department. Policies will be updated to include procedures to obtain and retain employment agreements. Any changes to rates must be accompanied by a signed agreement from employee and management and maintained in the HR department. HR will verify and enter rate changes in the software and either the Director of Finance or Office Manager will verify any rate changes prior to payment being issued.

UPDATED RESPONSE: Implemented.

Anticipated Date of Completion: Immediately upon learning of oversight.

- 5. ROE #4 should ensure that grant expenditure reports are prepared using current and accurate financial data based on reports obtained from the Regional Office's accounting system. Unpaid payments to other governments should be reported as obligations rather than expended. The ROE should contact the Illinois State Board of Education to determine what should be done with the unexpended funds.**

FINDING: *(Noncompliance with Grant Requirements)*

Condition:

The Technology for Success grant program payments to other governments were reported on the expenditure report as being expended rather than obligated; these payments to other governments have not been paid and caused the payments to other governments to be overstated on the grant expenditure report.

Effect:

The expenditure report submitted to the grantor did not accurately reflect actual expenditures, resulting in a failure to comply with the grant requirement for accurate, current, and complete disclosure of financial results.

Cause:

ROE #4's management indicated change in staffing and lack in training on how to report expenditures in ISBE Web Application Security resulted in the finding.

RESPONSE:

Additional training was provided and added to procedure manual for FY18.

UPDATED RESPONSE: Implemented.

Anticipated Date of Completion: July 1, 2017

6. **As part of internal control over the preparation of financial statements, the Regional Office 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 GAAP, GASB pronouncements, and knowledge of the Regional Office of Education #4's activities and operations.**

FINDING: *(Controls Over Financial Statement Preparation)*

ROE #4 does not have sufficient internal controls over the financial statement reporting process. ROE #4 maintains its accounting records on the cash basis of accounting during the fiscal year and posts year-end accrual entries for financial statement purposes. While ROE #4 maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of the GAAP based financial statements for management or employees in the normal course of performing their assigned functions to prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

During the review of the financial information prepared by the Regional Office, the following were noted:

- The Regional Office did not have adequate controls over the maintenance of complete records of prepaid expenses. Prepaid expenses of \$51,954 were not recognized and recorded within the initial trial balance received from the Regional Office.
- The Regional Office did not have adequate controls over the recognition of capital assets. The Regional Office did maintain a list of capital assets, however, the Regional Office did not initially provide all entries to accurately recognize these items within the financial statements.

Effect:

The Regional Office management or its employees, in the normal course of performing their assigned functions, may not prevent or detect financial statement misstatements and disclosure omissions in a timely manner.

Cause:

ROE #4's management indicated change in staffing and lack in training on how to report prepaid expenses on financial statements resulted in the finding.

RESPONSE:

Training was provided to ensure prepaid expenses on financial statements are recorded accurately.

UPDATED RESPONSE: Implemented.

Anticipated Date of Completion: Immediately upon learning of oversight.

- Auditors recommend the Regional Office create a standard form of communication ensuring that all required elements to be addressed with each individual subrecipient are included. Auditors also recommend the Regional Office develop 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). In addition, we also recommend the ROE formalizes, in writing, its subrecipient monitoring procedures, which would include a formal risk assessment of each subrecipient, as required and described in 2 CFR 200.331(b).**

FINDING: *(Subrecipient Monitoring Documentation)*

Condition:

During the audit, the Regional Office was providing the required certification to the Illinois State Board of Education, the funding agency for the Title I School Improvement and Accountability Grant. However, the certifications were not obtained by the ROE from its subrecipients of this program.

Also, during the audit, the Regional Office was not providing all grant information required to the subrecipient. The required communication letter informing the subrecipients of their grant award did not include the CFDA number.

Auditors also noted that although a Regional Office employee maintains an informal checklist for monitoring subrecipients of its Title I School Improvement and Accountability program, there are no formal documented procedures for monitoring subrecipients, including formal documentation of an assessed level of risk of noncompliance for each subrecipient as required by the Uniform Guidance.

Questioned Costs:

None.

Context:

The Regional Office passed through \$237,134 of federal funding to five different subrecipients of the Title I School Improvement and Accountability program.

Effect:

By not communicating the Grant CFDA number to subrecipients, the subrecipients did not have the proper information to properly report the Grant revenue. By not obtaining the required certification from subrecipients, and not performing a formal documented risk

assessment of the subrecipients, the risk of expenditures being improper and not in accordance with the terms and conditions of the Federal award and approved budgets is increased.

Cause:

Regional Office of Education #4's management indicated they were not aware of the following:

- Uniform Guidance (2 CFR 200.415(a)) requiring the Regional Office to provide a specific certification to funding agencies on all annual and final fiscal reports or vouchers requesting payment, and conversely, requires the Regional Office to obtain such certification from its subrecipients.
- Uniform Guidance (2 CFR 200.331(a)) requiring certain information be communicated to the recipients of the subaward, including the CFDA Number and Name. The Director of the program verbally communicated the information at a joint meeting and failed to send appropriate documentation to the subrecipients.
- Uniform Guidance (2 CFR 200.331(b)) requiring the Regional Office to evaluate each subrecipients risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for purposes of determining the appropriate subrecipient monitoring.

RESPONSE:

If the Regional Office of Education #4 becomes fiscal agent for programs with subrecipients we will create a standard form of communication to ensure all required elements are addressed. Furthermore, we will obtain, in writing, confirmation of said communication as required. Internal policies and procedures will be developed for reporting and voucher requests. Current staff will receive training and guidance in compliance with items 2 CFR Part 200, 2 CFR 200.415(a), 2 CFR 200.331(a), and 2 CFR 200.331(b) for future grants. The ROE will formalize, in writing, our subrecipient monitoring procedures, which would include a formal risk assessment of each subrecipient, as required and described in 2 CFR 200.331(b). The auditor's recommendations will be followed.

UPDATED RESPONSE: Implemented.

Anticipated Date of Completion: Immediately upon learning of oversight.

8. **Regional Office should implement a system of internal controls over time and effort reporting for all employees paid with restricted grant funds. The Regional Office should track actual time charged to restricted grant revenue and perform periodic comparisons to time studies to determine if adjustments are necessary.**

FINDING: *(Salaries and Benefits Not Supported by Proper Documentation)*

Condition:

The Regional Office assigned a total of \$45,248 salary and benefit costs for five employees to the Title I grant based on a one-month time study. Personnel activity reports or other comparisons of actual payroll costs, based on time and effort records to the initial time study were not performed and adjustments for actual time spent on the grants, if differences were present, were not made. These five employees did submit bi-weekly timesheets based on the one-month salary schedule but actual time tracking did not occur to support the amount of salaries and benefits charged to Title I expense accounts.

Questioned Costs:

Undeterminable.

Context:

Salary and benefits charged to the Title I grant during FY17 totaled \$607,040.

Effect:

Since actual time and effort was not tracked for the entire year to allocate salary and benefit costs of certain employees or used to adjust the time allocation based on the one month time study, there is an increased risk that the salary and benefit costs charged to the Title I program do not reflect the actual time worked on the programs.

Cause:

ROE #4's management indicated the only time study done was to get an average time spent on the grant for the first month and then an allocation was given for the year, but the grant manager did not require employees to record their actual time spent on the grants on a daily basis so that it could be used to compare on a quarterly basis to make any necessary adjustments.

RESPONSE:

Regional Office of Education will implement a system of internal controls over time and effort to ensure accurate allocations are charged to restricted grant funds.

UPDATED RESPONSE: Implemented.

Anticipated Date of Completion: Immediately upon learning of oversight.