

LEGISLATIVE AUDIT COMMISSION



Management Audit
ILLINOIS STATE BOARD OF EDUCATION
And Other State Agencies
Providing Funding To
ILLINOIS' REGIONAL OFFICES OF EDUCATION
August 2001

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MANAGEMENT AUDIT

ILLINOIS STATE BOARD OF EDUCATION And Other State Agencies Providing Funding To ILLINOIS' REGIONAL OFFICES OF EDUCATION AUGUST 2001

RECOMMENDATIONS - 11

This audit was conducted pursuant to Legislative Audit Commission Resolution #118, adopted May 25, 2000, which asks, among other items, whether State agencies providing funding to the Regional Offices of Education (ROE) and any other similar entities have in place adequate management controls to review the financial and programmatic aspects of those offices. The audit found that generally controls were adequate within the Department of Human Services (DHS) and the Department of Corrections (DOC) to ensure that funds were used appropriately. However, while the Illinois State Board of Education (ISBE) had established a system of management controls, several of the controls were not being carried out or needed to be strengthened.

Background

The 45 ROEs and three Intermediate Service Centers (ISCs) received a total of \$110,816,155 in funding from all sources in FY2000. This does not include the amount that ISBE expends in their duties as the ROE for the City of Chicago. In FY2000, funding for the ROEs and ISCs was from the following:

- \$65.87 million from State sources, principally ISBE, DOC and DHS;
- \$18.66 from federal sources;
- \$24.36 from local sources; and
- \$1.92 million from other sources.

ROEs also receive a large amount of funding to pass through to local schools. In FY2000, ISBE total funding to ROEs and ISCs, including pass through to local school districts, exceeded \$1.83 billion. Many ROEs receive support from the counties in their region including free building space, in-kind or on behalf payments, and direct funding of staff.

Generally, ROEs act as a program and fiscal intermediary between the Illinois State Board of Education (ISBE) and local school districts. They are required to perform certain functions by both the statutes and administrative rules, such as School Services (Education of Gifted Children, Computer Technology Education, Staff Development Services, Administrators' Academy and Directory of Cooperating Consultants) and alternative schools programs. ROEs perform various programmatic, regulatory and other voluntary functions such as GED,

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recognition of private schools and School Bus Driver Training. ISCs, which are located in Cook County, perform some of the same programmatic functions as ROEs, but are not responsible for the regulatory functions that ROEs are statutorily responsible for administering.

Regional Superintendents are elected officials, and ISC executive directors are appointed by each ISC governing board. The 10 activities that the ROEs and ISCs spend most of their time administering are teacher and administrator certification, training and professional development, health life safety, and the Regional Safe Schools Program.

The responsibility for monitoring programs and funding provided to the ROEs/ISCs is decentralized at ISBE. Monitoring is conducted by each program within ISBE.

Recommendations

- 1. Establish a central contact responsible for providing guidance to, and addressing questions raised by, ROEs/ISCs.**

Findings: ISBE lacked a central organizational unit to coordinate and monitor programs with ROEs/ISCs. Several reorganizations in recent years have shifted programs and personnel responsible for programs involving ROEs/ISCs.

The numerous reorganizations at ISBE have led to problems related to communication and management of the programs that ROEs/ISCs are responsible for administering. When the auditors met with Regional Superintendents and ISC Executive Directors, several expressed confusion resulting from the ISBE reorganizations, such as whom to contact with questions.

Response: The SBE has had a primary unit for ROEs/ISCs with consistent personnel throughout the last several years. Because ROEs are only one type of sub recipient for the Agency, each program provides oversight for service delivery as well. The ROE Liaison, in conjunction with the ROEs, has developed a continuous improvement process that links various deliverables per region. In addition, the ROE Liaison will establish a coordinating council to meet periodically and discuss various ROE/ISC related activities.

- 2. Develop guidelines for allowable or unallowable expenditures for programs which provide funding to ROEs/ISCs.**

Findings: Expenditures tested were generally consistent with overall mission and purpose of the ROE/ISC. However, the auditors questioned 50 of 397 expenditures tested, and determining whether the funds were being used in an appropriate, efficient, and effective

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manner was complicated by the lack of clear criteria from ISBE as to what were allowable or unallowable expenses.

Response: Each program requires the grantor to provide the approach, deliverables, and detailed budget related to the delivery of the services. Before funds are released, ISBE approves these plans. Guidance is given in the request for proposals (RFPs), training sessions, and application review. Continuing oversight is provided with a review of the actual expenditure reports, a closing grant report, and the annual audit report. The grant recipient is allowed flexibility in spending funds to the extent it is allowed in the enabling legislation. Federal grants provide guidance by fund source as well. The SBE will review various fund sources and consider locating information in one location.

- 3. Work with ROEs/ISCs to improve the use of appropriate expenditure codes as required by the ROE Accounting Manual. In order to achieve consistency, consider training ROE/ISC accounting and bookkeeping staff in the appropriate use of these codes.**

Findings: ROEs/ISCs were not using the proper expenditure codes to classify expenditures as is required in ISBE's accounting manual. 156 of 397 (39%) expenditures were miscoded. As of January 25, 2001, only 13 of 48 ROE/ISC offices were using the Regional Accounting Program system developed by ISBE.

Response: The SBE has provided training in previous years to both the ROE staff and CPAs. The SBE has developed accounting software with a uniform numbering system, multiple year program tracking, on-line bank reconciliations, and budget to actual reporting to reduce audit exceptions and improve overall compliance and management information. It has been quite successful in reducing audit issues. The SBE will partner with the ROEs and provide technical assistance as they address their internal training needs.

- 4. Ensure that programs meet requirements set forth in ISBE administrative rules including ensuring that site visits, record reviews, and annual evaluations are completed and that Regional Improvement Plans contain all required elements.**

Findings: Regional Improvement Plans submitted ISBE by the ROEs and ISCs did not always contain the information required by ISBE rule. Only three of the 12 Plans reviewed included all the criteria. The Plans should include a description of the following:

- The scope and content of the programs and services provided and whether they are provided directly or through cooperative agreement;
- The services provided that address school improvement needs;

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- Whether services will be delivered by on-site consultations, meetings, workshops, or conferences;
- The costs of implementing each activity; and
- The standards and procedures by which the completion of each outcome will be evaluated by the ROE.

The auditors found that ISBE is not complying with the ROE/ISC monitoring requirements:

- No documentation for the list of 13 ROE/ISC site visits conducted in FY2000 except for staff travel vouchers;
- No documentation of record reviews or program evaluations of whether ROEs/ISCs met their objectives covered in the Regional Improvement Plans; and
- No policies or procedures governing site visits.

Response: The ROE Liaison rewrote the directions for the Regional Improvement plans to ensure they included all aspects of the code, developed a review checklist, used readers to evaluate the grant applications, and will retain site visit documentation.

- 5. Ensure that all of the smallest 10 ROEs provide services through a cooperative agreement with a larger ROE as is required by the Illinois Administrative Code; Maintain cooperative agreements for these 10 offices and ensure the agreements are current and include sufficient information that details both program delegation and funding to provide the necessary means to monitor program and financial activities; and Ensure that third-party transactions made by ROEs are adequately monitored and that there is a written agreement with provisions for monitoring funding received from the State.**

Findings: ROE's identified 847 formal and informal cooperative agreements. The agreements were not specific regarding funding and program responsibilities. ISBE could not provide a list of names and addresses of each cooperative in the State, or the amount of funding each co-op received. Further, two of the 10 smallest ROE's had not entered into a formal cooperative agreement to provide School Services function in cooperation with a larger ROE, as required. ISBE does not financially monitor contracts between ROEs and third parties.

Response: The SBE does obtain copies of the cooperative agreements required in the statute. However, the statute does not provide specific criteria for the contents. To the extent that there are funds expended, the SBE monitors the activity via the regional improvement plan; expenditure report, etc. and as previously described. The SBE will strongly urge the ROEs to maintain written contracts with their contractors.

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- 6. Review ISBE funding data presented in the A-133 audits for accuracy. In addition, ensure consistency in the reporting of programs and funds in these audits.**

Findings: There were 57 findings for the 48 offices audited in FY2000. The audits were inconsistent in the reporting of funding and did not express an opinion regarding compliance with statutory requirements or monitor specifically if State funding is used in accordance with applicable laws, rules, grant requirements, or in an efficient and effective manner.

Response: Each draft audit is reviewed using an AICPA recommended checklist and averages six hours per report. Appropriate changes are requested of the CPA firms based on the 100+ pages of guidelines maintained and provided by the SBE. The SBE provides a confirmation of funds sent to each ROE that uses a consistent naming methodology as well as a fund source number system. Unfortunately, the SBE cannot address the methodologies of other funding organizations. The two exceptions were created via those other organizations.

- 7. Monitor the use of interest income earned on State funds to ensure these funds are used for the same purpose as the principal unless otherwise stated in the grant.**

Findings: ISBE grants did not contain guidelines for the use of interest earned on grant funds. According to statute, interest earned on grant funds should be used for the same purpose as the grant.

Response: The SBE continues to stress the appropriate compliance with the Grants Recovery Act. The annual audits clearly identify findings regarding interest income and the SBE resolves those with the ROEs/ISCs. The accounting software makes tracking and spending the interest income substantially easier than other available options. In addition, the SBE will review grant agreements to determine if any language changes will strengthen the guidance.

- 8. Monitor to ensure that advisory boards meet six times per year as is required by law.**

Findings: Only five of the 45 offices surveyed reported their advisory boards met the required six times per year. The boards meet for the purpose of advising the superintendent concerning the planning and delivery of programs and services under the control of the Regional Superintendent. The ISCs' governing boards are also required to meet six times per year to select officers; review the budget for School Services programs; review the

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Regional Improvement Plan; and adopt a calendar and submit information and reports to the State Superintendent.

Response: Meetings of this advisory board are required by law. However, the monitoring of compliance is not and the SBE has no authority to monitor or effect change in this area. We suggest the Regional Superintendent's Association consider reviewing this issue with its membership.

9. Review additional compensation being received by Regional Superintendents and Assistant Superintendents to ensure that no conflicts of interest exist and consider setting guidelines for additional compensation.

Findings: The auditors identified \$105,552 in additional compensation paid to 17 superintendents and assistant superintendents. One superintendent appointed herself the local truant officer and received \$2,202 for those duties. The superintendent also received \$2,947 for serving as the secretary ex-officio of a non-high school district. Although State law allows Regional Superintendents to receive additional compensation from the local county or counties they serve, it is not clear whether it is a conflict of interest for them to receive compensation for holding other positions while serving as an elected official.

Response: Considerable controls and monitoring over SBE funds have been previously described. As there is no prohibition to additional compensation, any known expenditures for superintendent services would have been reviewed to ensure that additional services were rendered. Since ROEs are separate legal entities directed by elected officials, the SBE has no access to compensation information outside of our funding sources, nor does it have the authority to act. However, as elected officials, the Regional Superintendents are required by law to file economic interest statements annually with the county clerk in the county of their administrative offices. This provides comparable oversight to that of State employees and legislators.

10. Consider requesting the General Assembly delete outdated and confusing language from State laws caused by the historical reduction in the number of Superintendent's offices.

Findings: The auditors found that State law contains references to entities that no longer exist related to Regional Offices of Education. Some statutory changes have led to administrative uncertainty at the Suburban Cook ROE which was eliminated in 1994 and then re-established in 1995.

Response: The SBE had requested and the Governor has appointed a commission to address school code changes. We expect this item to be included in that extremely large task.

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11. Include a clause in every contract and subcontract that allows the Auditor General access to records as required by the Illinois Procurement Code.

Findings: ISBE contracts did not contain specific language as required by statute giving the Auditor General access to records.

Response: The SBE contracts provide for access by ISBE, its representatives, and State and federal regulatory agencies. The language has been in place for more than a decade. The SBE believes this meets the requirement of law. However, as multiple-year contracts are re-bid, the SBE will consider a language change.

Auditor Comment: The contracts between ISBE and private CPA firms state that, "Working papers will be available for examination by the Illinois State Board of Education, its authorized representatives and, when applicable, the authorized representatives of the cognizant federal audit agency and the General Accounting Office." It does not make reference to State regulatory agencies or the Auditor General.