

Region 1 Planning Council

Report on Federal Awards

June 30, 2025

Region 1 Planning Council

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Year Ended June 30, 2025

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**Report on Internal Control
Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards***

Independent Auditors' Report

To the Members of the Board of
Region 1 Planning Council

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Region 1 Planning Council (the Council), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Council's basic financial statements, and have issued our report thereon dated February 11, 2026.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Council's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control. Accordingly, we do not express an opinion on the effectiveness of the Council's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a deficiency in internal control that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2025-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2025-002 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Council's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The Council's Response to Findings and Corrective Action Plan

Government Auditing Standards requires the auditor to perform limited procedures on the Council's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Additionally, the Council is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. The Council's response and corrective action plan were not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Baker Tilly US, LLP

Oak Brook, Illinois
February 11, 2026

**Report on Compliance
for the Major Federal Program;
Report on Internal Control Over Compliance; and
Report on the Schedule of Expenditures of
Federal Awards Required by the Uniform Guidance**

Independent Auditors' Report

To the Members of the Board of
Region 1 Planning Council

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited Region 1 Planning Council's (the Council) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the Council's major federal program for the year ended June 30, 2025. The Council's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Council complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2025.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Council and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for the major federal program. Our audit does not provide a legal determination of the Council's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the Council's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Council's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Council's compliance with the requirements of the major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Council's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the Council's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Council's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Council as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Council's financial statements. We issued our report thereon dated February 11, 2026, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Baker Tilly US, LLP

Oak Brook, Illinois
February 11, 2026

Region 1 Planning Council

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/ Program Title	Assistance Listing Number	Direct Award Number	Pass-Through Agency	Pass-Through Agency Grant Number	Federal Expenditures	Payments Made to Subrecipients
Federal Programs						
U.S. Department of Transportation						
Highway Planning and Construction	20.205	N/A	Illinois Department of Transportation	1009-40918	\$ 136,332	\$ -
Highway Planning and Construction	20.205	N/A	Illinois Department of Transportation	1009-00003	822,988	-
Highway Planning and Construction	20.205	N/A	Illinois Department of Transportation	1439-38102	133,510	-
Highway Planning and Construction	20.205	N/A	Illinois Department of Transportation	1439-44632	56,944	-
Highway Planning and Construction	20.205	N/A	Illinois Department of Transportation	1439-00005	27,170	-
Highway Planning and Construction	20.205	N/A	Illinois Department of Transportation	1439-30977	105,369	-
Total Highway Planning and Construction					1,282,313	-
Reconnecting Communities Pilot (RCP) Discretionary Grant Program	20.940	693JJ32540293	N/A	N/A	1,437	-
Safe Streets and Roads for All	20.939	693JJ32340440	N/A	N/A	206,052	-
Total U.S. Department of Transportation					1,489,802	-
U.S. Department of Energy						
Grid Infrastructure Deployment and Resilience	81.254	N/A	Commonwealth Edison Company	N/A	11,979	-
Renewable Energy Research and Development	81.087	N/A	Washington State University	143082 WSU001103	17,657	-
Total U.S. Department of Energy					29,636	-
U.S. Department of Commerce						
Economic Development Support for Planning Organizations	11.302	ED24CHI0G0036	N/A	N/A	22,028	-
Economic Development Support for Planning Organizations	11.302	ED25CHI0G0087	N/A	N/A	44,798	-
Total Economic Development Support for Planning Organizations					66,826	-
Total U.S. Department of Commerce					66,826	-

See notes to the schedule of expenditures of federal awards

Region 1 Planning Council

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

Federal Grantor/ Program Title	Assistance Listing Number	Direct Award Number	Pass-Through Agency	Pass-Through Agency Grant Number	Federal Expenditures	Payments Made to Subrecipients
U.S. Environmental Protection Agency						
Nonpoint Source Implementation Grants	66.460	N/A	Illinois Environmental Protection Agency	0378-38521	\$ 78,856	\$ -
Brownfields Multipurpose, Assessment, Revolving Loan Fund, and Cleanup Cooperative Agreements	66.818	00E03587	N/A	N/A	<u>236,355</u>	<u>-</u>
Total U.S. Environmental Protection Agency					<u>315,211</u>	<u>-</u>
U.S. Department of Justice						
Project Safe Neighborhoods	16.609	2020-GP-BX-0036	N/A	N/A	<u>34,081</u>	<u>-</u>
Total U.S. Department of Justice					<u>34,081</u>	<u>-</u>
Total federal programs					<u>\$ 1,935,556</u>	<u>\$ -</u>

See notes to the schedule of expenditures of federal awards

Region 1 Planning Council

Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2025

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Council under programs of the federal government for the year ended June 30, 2025. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Council, it is not intended to and does not present the financial position or changes in net position of the Council.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

3. Indirect Cost Rate

The Council has elected to use the 10% de minimis indirect cost rate.

Region 1 Planning Council

Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Section I - Summary of Auditors' Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

 X yes no

Significant deficiency(ies) identified?

 X yes none reported

Noncompliance material to financial statements noted?

 yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified?

 yes X no

Significant deficiency(ies) identified?

 yes X none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

 yes X no

Auditee qualified as low-risk auditee?

 yes X no

Dollar threshold used to distinguish between Type A and Type B programs:

 \$750,000

Identification of major federal programs:

<u>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	Highway Planning and Construction

Region 1 Planning Council

Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Section II - Financial Statement Findings

Finding 2025 - 001: Internal Control Over External Financial Reporting

Criteria: Properly designed systems of internal control provide your organization with the ability to process and record accurate monthly and year-end transactions and produce annual external financial reports, including the schedule of expenditures of federal awards.

Condition: During the course of the audit, we did identify material adjusting journal entries that were not identified by the Council's existing internal controls, and therefore, could have resulted in a misstatement to the Council's financial statements.

Cause: Entries were required to various accruals in order to accurately present the Council's financial statements.

Effect: The Council's financial statements were not fully adjusted prior to audit fieldwork, which increases the risk of error.

Recommendation: We recommend that the Council enhance its internal controls and review process around its year-end general ledger balances prior to providing the auditor with the trial balance.

Management Response: The Director of Finance (and staff) in addition to their own processes and review, have enlisted the help of the external accountant to provide additional layers of review and assistance to ensure fully adjusted financial statements are submitted to the auditors prior to fieldwork starting in future periods.

Finding 2025 - 002: General Journal Entry and Technology Controls

Criteria: A properly designed system of internal control includes adequate staffing as well as policies and procedures to properly segregate duties. This includes systems that are designed to limit the access or control of any one individual to your government's assets or accounting records, and to achieve a higher likelihood that errors or irregularities in your accounting processes would be discovered by your staff in a timely manner.

Condition: At this time, the proper internal controls are not in place to achieve adequate segregation of duties in relation to journal entries as well as overall information technology controls. Additionally, there is no formal documentation of the bank reconciliation review process. As a result, errors, irregularities or fraud could occur as part of the financial reporting process but compensating controls are in place to mitigate risk.

Cause: The Council has a relatively small Finance Department which results in difficulties properly segregating duties.

Effect: The lack of formal, documented approvals could result in certain processes being completed without independent review, which increases the risk of error or fraud.

Recommendation: We recommend that the Council enhance existing review and approval procedures by implementing documentation requirements. Documented approval can be initialed sourced documents, email authorizations or other means of maintaining evidence of review. We also recommend the Council implement additional procedures to ensure no unauthorized journal entries have been posted.

Region 1 Planning Council

Schedule of Findings and Questioned Costs
Year Ended June 30, 2025

Management Response: The Director of Finance and staff have implemented more robust documentation processes internally and have enlisted the assistance of the external accountant to add an additional layer of review for journal entries to compensate for the size limitations of the team. We intend to document monthly evaluations within the Finance team to more efficiently determine the effectiveness of the controls and documentation process which will include a follow-up report to the Executive Director and adjustments to the controls as needed.

Section III - Federal Awards Findings and Questioned Costs

None Noted

Region 1 Planning Council

Summary Schedule of Prior Year Audit Findings
Year Ended June 30, 2025

Finding No.: 2024-001

Condition: During audit fieldwork, our testing resulted in a restatement of fund balance in order to correct payroll liabilities that were improperly recorded in prior years.

Current Status: No restatements identified during 2025 audit. Finding removed.

Finding No.: 2024-002

Condition: During audit fieldwork, our testing resulted in significant audit adjustments in order to present materially accurate financial statements.

Current Status: Finding still applicable. See 2025-001.



Region 1 Planning Council

Corrective Action Plan

For the Year Ended June 30, 2025

Finding 2025-001

Condition

During the course of the audit, we did identify material adjusting journal entries that were not identified by the Council's existing internal controls, and therefore, could have resulted in a misstatement to the Council's financial statements.

Corrective Action Plan

Corrective Action Planned: We have coordinated with the external accountants to have them perform a preliminary review of the financial statements to ensure they are fully adjusted prior to audit fieldwork.

Name(s) of Contact Person(s) Responsible for Corrective Action: Kayla Gipson, Director of Finance

Anticipated Completion Date: June 30, 2026

Finding 2025-002

Condition

At this time, the proper internal controls are not in place to achieve adequate segregation of duties in relation to journal entries as well as overall information technology controls. Additionally, there is no formal documentation of the bank reconciliation review process. As a result, errors, irregularities or fraud could occur as part of the financial reporting process but compensating controls are in place to mitigate risk.

Corrective Action Plan

Corrective Action Planned: Proper email documentation has been added and implemented to ensure documentation of controls are available. External Accountants have also been included on the review of period ending Journal entries to ensure proper segregation/review. In addition, a monthly meeting will be held within the finance team to discuss and review the effectiveness of internal controls and the documentation processes with a monthly report being sent to the Executive Director to ensure they are working effectively and changes to the control processes will be updated as needed.

Name(s) of Contact Person(s) Responsible for Corrective Action: Kayla Gipson, Director of Finance

Anticipated Completion Date: More robust documentation and control process – implemented by 1/30/26, monthly meetings and reports should be implemented fully by 2/28/26