



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

INTERMEDIATE SERVICE CENTER #4
SOUTH COOK

FINANCIAL AUDIT
For the Year Ended: June 30, 2014

Release Date: August 13, 2015

FINDINGS THIS AUDIT: 1	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	0	1	1	2008	14-1		
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	0	1	1				
FINDINGS LAST AUDIT: 1							

SYNOPSIS

- **(14-1)** The South Cook Intermediate Service Center #4 did not have sufficient internal controls over the financial reporting process.

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.

{Revenues and expenditures are summarized on the reverse page.}

INTERMEDIATE SERVICE CENTER #4
SOUTH COOK

FINANCIAL AUDIT
For The Year Ended June 30, 2014

	FY 2014	FY 2013
TOTAL REVENUES	\$4,544,519	\$6,977,034
Local Sources	\$2,130,504	\$2,041,830
% of Total Revenues	46.88%	29.27%
State Sources	\$2,033,449	\$1,854,202
% of Total Revenues	44.75%	26.58%
Federal Sources	\$380,566	\$3,081,002
% of Total Revenues	8.37%	44.16%
TOTAL EXPENDITURES	\$5,736,679	\$6,573,610
Salaries and Benefits	\$3,963,221	\$4,534,015
% of Total Expenditures	69.09%	68.97%
Purchased Services	\$1,574,987	\$1,467,128
% of Total Expenditures	27.45%	22.32%
All Other Expenditures	\$198,471	\$572,467
% of Total Expenditures	3.46%	8.71%
TOTAL NET POSITION	\$7,294,088 ¹	\$8,306,351
INVESTMENT IN CAPITAL ASSETS	\$3,159,182	\$3,218,313
¹ The FY 2014 beginning fund balance was restated by \$179,897 due to prior period adjustments. Percentages may not add due to rounding.		

EXECUTIVE DIRECTOR

During Audit Period: Dr. Vanessa Kinder
Currently: Dr. Vanessa Kinder

FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

CONTROLS OVER FINANCIAL STATEMENT PREPARATION

The South Cook Intermediate Service Center #4 did not have sufficient internal controls over the financial reporting process.

The South Cook Intermediate Service Center #4 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The Intermediate Service Center #4'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).

The Intermediate Service Center #4 did not have sufficient internal controls over the financial reporting process. The Service Center 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 the Service Center maintains controls over the processing of most accounting transactions, there were not sufficient controls over the preparation of 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 review of the Intermediate Service Center #4's financial information prepared by the Service Center, auditors noted the ISC's financial information required material adjusting entries to accounts receivable, accounts payable, accrued payroll and unearned revenue in order to present its financial statements in accordance with generally accepted accounting principles. Proposed adjusting entries were approved and accepted by ISC management.

According to Intermediate Service Center #4's officials, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements. (Finding 2014-001, pages 11a-11b) **This finding was first reported in 2008.**

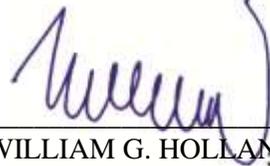
The auditors recommended that, as part of internal control over the preparation of financial statements, the Intermediate Service Center #4 should implement comprehensive preparation procedures to ensure that the financial statements are complete and accurate. These procedures should be performed by a properly trained individual(s) possessing a thorough understanding of applicable the applicable GAAP,

GASB pronouncements, and knowledge of the Intermediate Service Center's activities and operations.

The South Cook Intermediate Service Center #4 responded that it has explored and discussed the options concerning the capabilities of preparing financial statements, including complete footnote disclosures, that would not require significant changes by the auditor. The ISC #4 noted that at this time, it has not been cost beneficial to hire another employee or service provider to perform such a task. However, during the 2015 school year, its hope is to hire a Certified Public Accountant to complete the conversion of its financial statements. The ISC #4 stated that it is confident in the abilities of the accounting/bookkeeping staff to prepare cash basis financial information as needed for reporting purposes throughout the year. The Service Center noted that the Bloom Township Treasurer's Office also oversees all financial statement preparation. Management will pursue additional training when it is considered cost beneficial since training costs would take away from the funds available to provide educational services for the schools in the region. (For previous Intermediate Service Center response, see Digest Footnote #1.)

AUDITORS' OPINION

Our auditors state the Intermediate Service Center #4's financial statements as of June 30, 2014 are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:JRB

AUDITORS ASSIGNED: Kemper CPA Group LLP were our special assistant auditors.

DIGEST FOOTNOTE

#1: Controls Over Financial Statement Preparation - Previous Intermediate Service Center Response

In its prior response in 2013, the South Cook Intermediate Service Center #4 responded that like many Illinois governmental agencies and school districts, it has seen drastic budget cuts over the past three years. South Cook stated that it does not have a Certified Public Accountant (CPA) on staff to prepare financial statements with footnote disclosures. The additional funding spent to employ a CPA would take away from funds that are available to provide educational services to the 66 schools in the region. The Service Center noted that the Bloom Township Treasurer's Office oversees all financial statement preparation. Management will pursue additional training when it is considered cost beneficial since training costs would take away from the funds available to provide educational services for the schools in the region.