



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

INTERMEDIATE SERVICE CENTER #4
SOUTH COOK

FINANCIAL AUDIT (In accordance with the Single
 Audit Act and OMB Circular A-133)
 For the Year Ended: June 30, 2015

Release Date: March 24, 2016

| FINDINGS THIS AUDIT: 1 | | | | AGING SCHEDULE OF REPEATED FINDINGS | | | |
|------------------------|--------------|-----------------|----------------|-------------------------------------|------------|------------|------------|
| | | | | Repeated Since 2008 | Category 1 | Category 2 | Category 3 |
| Category 1: | <u>New</u> 0 | <u>Repeat</u> 1 | <u>Total</u> 1 | 15-1 | | | |
| Category 2: | 0 | 0 | 0 | | | | |
| Category 3: | 0 | 0 | 0 | | | | |
| TOTAL | 0 | 1 | 1 | | | | |
| FINDINGS LAST AUDIT: 1 | | | | | | | |

SYNOPSIS

- **(15-1)** 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
(In Accordance with the Single Audit Act and OMB Circular A-133)
For The Year Ended June 30, 2015

| | FY 2015 | FY 2014 |
|--|--------------------------|----------------|
| TOTAL REVENUES | \$5,658,173 | \$4,544,519 |
| Local Sources | \$2,601,446 | \$2,130,504 |
| % of Total Revenues | 45.98% | 46.88% |
| State Sources | \$2,399,065 | \$2,033,449 |
| % of Total Revenues | 42.40% | 44.75% |
| Federal Sources | \$657,662 | \$380,566 |
| % of Total Revenues | 11.62% | 8.37% |
| TOTAL EXPENDITURES | \$5,684,144 | \$5,736,679 |
| Salaries and Benefits | \$4,083,926 | \$3,963,221 |
| % of Total Expenditures | 71.85% | 69.09% |
| Purchased Services | \$1,222,842 | \$1,574,987 |
| % of Total Expenditures | 21.51% | 27.45% |
| All Other Expenditures | \$377,376 | \$198,471 |
| % of Total Expenditures | 6.64% | 3.46% |
| TOTAL NET POSITION | \$5,938,180 ¹ | \$7,294,088 |
| INVESTMENT IN CAPITAL ASSETS | \$3,011,414 | \$3,159,182 |
| <p>¹ The FY 2015 beginning net position was restated by (\$1,329,937) due to a prior period adjustment for new reporting requirements for pensions.</p> <p>Percentages may not add due to rounding.</p> | | |

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 South Cook Intermediate Services Center #4 did not have sufficient internal controls over the financial reporting process. The Intermediate Service Center #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 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. Auditors noted that the ISC did not have adequate controls to record and report the ISC's net accrued pension liabilities/assets, deferred outflows of resources, deferred inflows of resources, and pension expenses in accordance with GAAP.

According to ISC officials, they did not have adequate funding to hire and/or train their accounting personnel in order to comply with these requirements. Additionally, the complex requirements of GASB Statements No. 68 and No. 71 were new for fiscal year 2015 and will require additional time and training before the ISC can fully implement the requirements on its own. (Finding 2015-001, pages 13a-13b) **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 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 discussed the options concerning the capabilities of preparing financial statements, including complete footnote disclosures that would not require significant changes by the auditor. They believe it would not be cost beneficial to hire another employee or service provider to perform such a task. The Service Center is confident in the abilities of the accounting/bookkeeping staff to prepare cash basis financial information as needed for reporting purposes throughout the year. In addition, 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 shown at the end of the digest.)

AUDITORS' OPINION

Our auditors state the Intermediate Service Center #4's financial statements as of June 30, 2015 are fairly presented in all material respects.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM: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 2014, 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.