



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

William G. Holland, Auditor General

SUMMARY REPORT DIGEST

INTERMEDIATE SERVICE CENTER #1
NORTH COOK

**FINANCIAL AUDIT (In accordance with the Single
Audit Act and OMB Circular A-133)
For the Year Ended: June 30, 2011
Release Date: April 5, 2012**

Summary of Findings:

Total this audit:	1
Total last audit:	0
Repeated from last audit:	0

SYNOPSIS

- The Intermediate Service Center #1 did not maintain adequate time and effort statements to allocate indirect costs in accordance with OMB Circular A-87.

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

INTERMEDIATE SERVICE CENTER #1
NORTH COOK

FINANCIAL AUDIT
(In Accordance with Single Audit Act and OMB Circular A-133)
For The Year Ended June 30, 2011

	FY 2011	FY 2010
TOTAL REVENUES	\$5,163,924	\$5,568,419
Local Sources	\$2,293,340	\$2,064,756
% of Total Revenues	44.41%	37.08%
State Sources	\$2,165,058	\$2,618,979
% of Total Revenues	41.93%	47.03%
Federal Sources	\$705,526	\$884,684
% of Total Revenues	13.66%	15.89%
TOTAL EXPENDITURES	\$5,214,693	\$5,615,197
Salaries and Benefits	\$3,053,592	\$3,505,946
% of Total Expenditures	58.56%	62.44%
Purchased Services	\$1,971,907	\$1,784,059
% of Total Expenditures	37.81%	31.77%
All Other Expenditures	\$189,194	\$325,192
% of Total Expenditures	3.63%	5.79%
TOTAL NET ASSETS	\$2,599,054	\$2,649,823
INVESTMENT IN CAPITAL ASSETS	\$84,616	\$140,046
Percentages may not add due to rounding.		

EXECUTIVE DIRECTOR
During Audit Period: Mr. Robert Ingraffia Currently: Mr. Robert Ingraffia

**FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS**

**INADEQUATE DOCUMENTATION FOR PAYROLL
EXPENDITURES**

The Intermediate Service Center #1 did not maintain adequate time and effort statements to allocate indirect costs in accordance with OMB Circular A-87.

Office of Management and Budget (OMB) Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, establishes principles and standards for determining costs for federal awards carried out through grants, cost reimbursement contracts, and other agreements with State and local governments and federally recognized Indian tribal governments.

OMB Circular A-87 requires that all employees charged to federal grants maintain time and effort reporting. There are two types of required time and effort records: semi-annual certifications and detailed monthly reports. The type of record that must be kept is based on the job responsibilities of the individual charged to the grant.

North Cook Intermediate Service Center #1 did not maintain adequate time and effort statements to allocate indirect costs in accordance with OMB Circular A-87. Salary and benefits for administrative employees were charged to the Title I-School Improvement and Accountability and Title I-Grants to Local Educational Agencies, Recovery Act programs based on amounts calculated for budget purposes rather than costs based on actual time and effort reports.

North Cook Intermediate Service Center #1 allocated a total of \$69,097 of indirect compensation costs to the above programs. While these costs were approved in the grant budgets, without acceptable documentation of the basis for, and rationale behind the allocations, the amounts over or under charged to the programs cannot be readily determined. Based on the total amount of allocated costs charged to the programs, any amount deemed to be over charged to the award most likely would be considered immaterial.

According to North Cook Intermediate Service Center #1 officials, they determined the amount of costs to be allocated to the grant programs based on amounts allowable in grant budgets. (Finding 11-1, pages 11-12)

The auditors recommended that the North Cook Intermediate Service Center #1 should develop and implement adequate policies and procedures to ensure compliance with the Allowable Costs/Cost Principles of the OMB Circular A-133 Compliance Supplement and Cost Principles of OMB Circular

A-87 for Compensation for Personnel Services. These policies and procedures should include requiring staff involved in multiple programs to submit time sheets by program or a time and effort report by program. North Cook Intermediate Service Center #1 should also establish a payroll cost allocation procedure that allows for computation and comparison of actual time charged with budgeted time or allocation rates on a regular basis. Payroll charges by program should be based on the time devoted and identified specifically to the performance of those programs.

Management of North Cook Intermediate Service Center #1 responded that after discussing the finding with the Illinois State Board of Education, they agreed with this finding and began developing and implementing adequate policies and procedures to ensure compliance with the Allowable Costs/Cost Principles of the OMB Circular A-133 Compliance Supplement and Cost Principles of OMB Circular A-87 for Compensation for Personnel Services. North Cook Intermediate Service Center #1 noted that starting in fiscal year 2012, they will be modifying the budget for its various programs to eliminate administrative function support from the budget.

AUDITORS' OPINION

Our auditors state the Intermediate Service Center #1's financial statements as of June 30, 2011 are fairly presented in all material respects.



WILLIAM G. HOLLAND
Auditor General

WGH:KJM

AUDITORS ASSIGNED: Bass, Solomon, & Dowell, LLP were our special assistant auditors.