



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 Uniform Guidance)

Release Date: October 12, 2017

For the Year Ended: June 30, 2016

FINDINGS THIS AUDIT: 2	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since 2008	Category 1	Category 2	Category 3
Category 1:	1	1	2	2008	16-1		
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	1	1	2				
FINDINGS LAST AUDIT: 1							

SYNOPSIS

- **(16-1)** The Intermediate Service Center #4 did not have sufficient internal controls over the financial reporting process.
- **(16-2)** The Intermediate Service Center #4 did not have sufficient internal controls over timely expenditure report submission.

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 Uniform Guidance)
For The Year Ended June 30, 2016

	FY 2016	FY 2015
TOTAL REVENUES	\$5,793,497	\$5,658,173
Local Sources	\$1,973,475	\$2,601,446
% of Total Revenues	34.06%	45.98%
State Sources	\$2,920,247	\$2,399,065
% of Total Revenues	50.41%	42.40%
Federal Sources	\$899,775	\$657,662
% of Total Revenues	15.53%	11.62%
TOTAL EXPENDITURES	\$6,198,663	\$5,684,144
Salaries and Benefits	\$4,637,821	\$4,083,926
% of Total Expenditures	74.82%	71.85%
Purchased Services	\$1,211,736	\$1,222,842
% of Total Expenditures	19.55%	21.51%
All Other Expenditures	\$349,106	\$377,376
% of Total Expenditures	5.63%	6.64%
TOTAL NET POSITION	\$5,705,218 ¹	\$5,938,180
INVESTMENT IN CAPITAL ASSETS	\$2,879,634	\$3,011,414
<p>¹ The FY 2016 beginning net position was restated by \$172,204 due to prior period adjustments to correct prior year accounting errors.</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 (ISC) did not have sufficient internal controls over the financial reporting process. The ISC maintains its accounting records on the cash basis of accounting during the fiscal year and posts year-end accrual entries to present its financial statements in accordance with generally accepted accounting principles (GAAP). While the ISC 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.

The ISC is required to maintain a system of controls over the preparation of financial statements in accordance with GAAP. These internal controls 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).

During review of the ISC financial information prepared by the ISC, auditors noted that material adjusting entries were necessary to cash, account receivable, account payable, accrued payroll, unavailable revenue, fund balance, revenue, expenditures, and interfund accounts in order to present ISC financial statements in accordance with GAAP. Through inquiries and discussions with the ISC's accounting personnel and Executive Director, auditors also 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. Proposed adjusting entries were approved and accepted by ISC management.

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. (Finding 2016-001, pages 14a-14b)
This finding was first reported in 2008.

The auditors recommended that as part of internal control over the preparation of financial statements, the ISC 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 ISC's activities and operations.

ISC Response: *Preparation of financial statements is overseen by the Bloom Township Treasurer's Office. In order to prepare financial statements, a certified public accountant (CPA) would need to be employed. At this time, funding for South Cook ISC is tenuous and incurring an additional salary for a CPA would not be cost effective and would take away from vital services provided to the 66 public school districts in South Cook county. We are confident in the abilities of the accounting/bookkeeping staff and the Bloom Township Treasurer's Office. We will pursue additional training opportunities for our staff and if funds become available, we will work to employ a CPA for preparation of financial statements.*

Prior Year ISC Response: *South Cook Intermediate Service Center #4 has discussed the options concerning the capabilities of preparing financial statements, including complete footnote disclosures that would not require significant changes by the auditor. We believe it would not be cost beneficial to hire another employee or service provider to perform such a task. The South Cook Service Center #4 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.*

CONTROLS OVER TIMELY EXPENDITURE REPORT SUBMISSION

The South Cook Intermediate Service Center #4 did not have sufficient internal controls over timely expenditure report submission.

The South Cook Intermediate Service Center #4 did not have sufficient internal controls over timely expenditure report submission. The following expenditure reports for Illinois State Board of Education grants were not submitted timely:

Program Name	Quarter	Days Late
System of Support Title I	1st	10
System of Support Title I	3rd	12
System of Support Title I	4th	14
Title II - Teacher Quality Leadership	4th	1
ROE Early Childhood Cohort	4th	30
ROE/ISC Operations (16-3730-00)	4th	14
ROE/ISC Operations (16-3730-01)	4th	14
New Teacher Induction and Mentoring	4th	14
Pilot Regional Safe Schools Coop	4th	1

The Illinois Grant Funds Recovery Act (30 ILCS 705/4) requires State grant recipients with awards in excess of \$25,000 to submit quarterly expenditure reports to reflect the progress of the grant program. The Illinois State Board of Education (ISBE) requires all grant recipients, regardless of the amount awarded, to submit quarterly expenditure reports. The *State and Federal Grant Administration Policy, Fiscal Requirements, and Procedures* of the ISBE Division of Funding and Disbursement Services requires expenditure reports to be filed within 20 calendar days of the end of each reporting quarter.

According to ISC management, these expenditure reports were not submitted timely due to accidental oversight by ISC personnel.

The auditors recommended the ISC take appropriate steps to ensure the expenditure reports are filed within the prescribed guidelines set forth by the ISBE.

ROE Response: *South Cook ISC staff strives to submit reports in a timely fashion. When finalizing grant expenditures, we are often waiting for vendors, participants and other invoices to be received in order to finalize expenditures. Often grant activities run up until the last day of the grant completion date, and we are awaiting final expenditures. In particular with some of the grants listed, schools and participants in the grant do not always submit their paperwork in a timely fashion. In an effort to clear the grant and reimburse the school or personnel, South Cook staff holds off on submitting the final expenditures. In the future, South Cook ISC staff will create a plan to notify schools and personnel that if we do not receive their invoices we will not be able to reimburse them for the activity, and we will submit the reports by the deadline.*

AUDITORS' OPINION

Our auditors state the South Cook Intermediate Service Center #4's financial statements as of June 30, 2016 are fairly presented in all material respects.

This financial report was conducted by the firm of Kemper CPA Group LLP.

SIGNED ORIGINAL ON FILE

AMEEN DADA
Division Director

This report is transmitted in accordance with Section 3-14 of the Illinois State Auditing Act.

SIGNED ORIGINAL ON FILE

FRANK J. MAUTINO
Auditor General

FJM:JRB