



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

Frank J. Mautino, Auditor General

SUMMARY REPORT DIGEST

INTERMEDIATE SERVICE CENTER #1
NORTH COOK

FINANCIAL AUDIT
For the Year Ended: June 30, 2016

Release Date: June 8, 2017

FINDINGS THIS AUDIT: 1				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	2014			
Category 1:	0	1	1		16-1		
Category 2:	0	0	0				
Category 3:	0	0	0				
TOTAL	0	1	1				
FINDINGS LAST AUDIT: 3							

SYNOPSIS

- **(16-1)** The North Cook Intermediate Service Center #1 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 #1
NORTH COOK

FINANCIAL AUDIT
For The Year Ended June 30, 2016

	FY 2016	FY 2015
TOTAL REVENUES	\$4,639,658	\$4,115,030
Local Sources	\$1,852,689	\$1,982,701
% of Total Revenues	39.93%	48.18%
State Sources	\$2,422,190	\$1,793,797
% of Total Revenues	52.21%	43.59%
Federal Sources	\$364,779	\$338,532
% of Total Revenues	7.86%	8.23%
TOTAL EXPENDITURES	\$4,632,735	\$3,913,506
Salaries and Benefits	\$3,501,792	\$2,708,940
% of Total Expenditures	75.59%	69.22%
Purchased Services	\$1,062,015	\$1,125,894
% of Total Expenditures	22.92%	28.77%
All Other Expenditures	\$68,928	\$78,672
% of Total Expenditures	1.49%	2.01%
TOTAL NET POSITION	\$2,640,644	\$2,633,721
INVESTMENT IN CAPITAL ASSETS	\$18,941	\$36,546
Percentages may not add due to rounding.		

EXECUTIVE DIRECTOR
During Audit Period: Dr. Bruce Brown Currently: Dr. Bruce Brown

FINDINGS, CONCLUSIONS, AND
RECOMMENDATIONS

**CONTROLS OVER FINANCIAL STATEMENT
PREPARATION**

The North Cook Intermediate Service Center #1 did not have sufficient internal controls over the financial reporting process.

The North Cook Intermediate Service Center #1 (ISC) is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). ISC #1'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).

ISC #1 did not have sufficient internal controls over the financial reporting process. ISC #1 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 Center maintains controls over the processing of most accounting transactions, there are 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 ISC #1's financial information prepared by the Center, the following were noted:

- Several adjustments were necessary to properly reverse prior year accounts receivable and accounts payable.
- Several adjustments were necessary to adjust individual fund cash balances and fund balances to actual.

ISC #1 did not effectively detect all of the adjustments needed in order to present financial statements in accordance with GAAP. This is due in part to the new Business Manager being in her position for only a year and a half. Although significant strides were made during the current fiscal year, additional time is necessary to successfully detect all adjustments necessary to present the Center's financial statements in accordance with GAAP. (Finding 2016-001, pages 11a-11b)
This finding was first reported in 2014.

The auditors recommended that as part of internal control over the preparation of financial statements, ISC #1 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 possessing a thorough understanding of the applicable GAAP, GASB pronouncements, and knowledge of ISC #1's activities and operations.

The ISC responded that with the retirement of the ISC's Business Manager during FY2015, a replacement was hired who is an accountant and possesses many years of experience in school finance. The new Business Manager will strive to do her best to prepare the financial statements in accordance with GAAP. In addition, the Business Manager and District 62 personnel are working to secure new financial software that will help achieve GAAP reporting and improved internal control procedures. (For previous Service Center response, see Digest Footnote #1 located at the end of the digest.)

AUDITORS' OPINION

Our auditors state the North Cook Intermediate Service Center #1'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:KJM

DIGEST FOOTNOTE

1: Controls over Financial Statement Preparation - Previous Service Center Response

In its prior response in 2015, the ISC #1 responded that with the retirement of the Service Center's Business Manager during FY2015, a replacement was hired who is an accountant and possesses many years of experience in school finance. ISC #1 noted that the new Business Manager will strive to do her best to prepare the financial statements in accordance with GAAP.