



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, 2017**

**Release Date: June 28, 2018**

FINDINGS THIS AUDIT: 1				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since 2014	Category 1	Category 2	Category 3
<b>Category 1:</b>	<u>New</u> 0	<u>Repeat</u> 1	<u>Total</u> 1	2014 17-1			
<b>Category 2:</b>	0	0	0				
<b>Category 3:</b>	0	0	0				
<b>TOTAL</b>	0	1	1				
FINDINGS LAST AUDIT: 1							

**SYNOPSIS**

- **(17-1)** 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, 2017**

	<b>FY 2017</b>	<b>FY 2016</b>
<b>TOTAL REVENUES</b>	\$3,352,075	\$4,639,658
Local Sources	\$1,296,041	\$1,852,689
% of Total Revenues	38.66%	39.93%
State Sources	\$1,687,044	\$2,422,190
% of Total Revenues	50.33%	52.21%
Federal Sources	\$368,990	\$364,779
% of Total Revenues	11.01%	7.86%
<b>TOTAL EXPENDITURES</b>	\$3,039,778	\$4,632,735
Salaries and Benefits	\$2,020,283	\$3,501,792
% of Total Expenditures	66.46%	75.59%
Purchased Services	\$963,616	\$1,062,015
% of Total Expenditures	31.70%	22.92%
All Other Expenditures	\$55,879	\$68,928
% of Total Expenditures	1.84%	1.49%
<b>TOTAL NET POSITION</b>	\$2,952,941	\$2,640,644
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$3,366	\$18,941
Percentages may not add due to rounding.		

<b>EXECUTIVE DIRECTOR</b>
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 #1) did not have sufficient internal controls over the financial reporting process. ISC #1 maintained its accounting records on the cash basis of accounting during the fiscal year and posted year-end accrual entries for financial statement purposes. While the Center maintained controls over the processing of most accounting transactions, there were not sufficient controls over the preparation of generally accepted accounting principles (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.

ISC #1 is required to maintain a system of controls over the preparation of financial statements in accordance with 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).

During review of the ISC #1's financial information prepared by the Center, adjustments were necessary to properly record the following:

- Interfund receivables and payables.
- Additional accounts receivable, unavailable revenue, and reverse prior year accounts payable.
- Individual fund cash balances and fund balances to actual.

Through inquiries and discussions with the ISC #1's accounting personnel and Executive Director, auditors noted that the Center did not have adequate controls to record and report the Center's net accrued pension liabilities/assets, deferred outflows of resources, deferred inflows of resources, and pension expenses in accordance with GAAP.

According to ISC management, it 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 limitations of the software used by the Center. 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. In addition, the complex requirements of GASB Statements No. 68 and No. 71 will require additional time and training before the accounting staff can fully implement the requirements on its own. (Finding 2017-001, 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 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 the ISC's activities and operations.

**ROE Response:** *The Business Manager, District 62, and Maine Township School Treasurer are working together to put into practice comprehensive preparation procedures to ensure the financial statements are complete and accurate. Substantial progress has been made to achieve this goal thus far and will continue through implementation and conversion to new financial software in FY 2018 that ISC #1 and District 62 jointly have procured. The use of this new financial software will facilitate GAAP reporting and improved internal control procedures.*

**Prior Year ROE Response:** *With the retirement of the ISC #1's Business Manager during FY 2015, 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 statement 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.*

### **AUDITORS' OPINION**

Our auditors state the North Cook Intermediate Service Center #1's financial statements as of June 30, 2017 are fairly presented in all material respects.

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

**SIGNED ORIGINAL ON FILE**

KELLY MITTELSTAEDT  
Audit Manager

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

**SIGNED ORIGINAL ON FILE**

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FRANK J. MAUTINO  
Auditor General

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