



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, 2018

Release Date: August 28, 2019

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		18-1		
Category 2:	0	0	0				
Category 3:	<u>0</u>	<u>0</u>	<u>0</u>				
TOTAL	0	1	1				
FINDINGS LAST AUDIT: 1							

SYNOPSIS

- **(18-1)** 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, 2018

	FY 2018	FY 2017
TOTAL REVENUES	\$3,703,420	\$3,352,075
Local Sources	\$1,710,737	\$1,296,041
% of Total Revenues	46.19%	38.66%
State Sources	\$1,816,622	\$1,687,044
% of Total Revenues	49.05%	50.33%
Federal Sources	\$176,061	\$368,990
% of Total Revenues	4.75%	11.01%
TOTAL EXPENDITURES	\$3,054,454	\$3,039,778
Salaries and Benefits	\$2,230,089	\$2,020,283
% of Total Expenditures	73.01%	66.46%
Purchased Services	\$763,023	\$963,616
% of Total Expenditures	24.98%	31.70%
All Other Expenditures	\$61,342	\$55,879
% of Total Expenditures	2.01%	1.84%
TOTAL NET POSITION	\$2,735,980 ¹	\$2,952,941
INVESTMENT IN CAPITAL ASSETS	\$1,210	\$3,366
¹ The FY 2018 beginning net position was restated by (\$865,927) due to a prior period adjustment for new reporting requirements for other postemployment benefits. Percentages may not add due to rounding.		

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

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) did not have sufficient internal controls over the financial reporting process. The ISC 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 ISC 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.

The ISC is required to maintain a system of controls over the preparation of financial statements in accordance with GAAP. The ISC'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's financial information prepared by the Center, adjustments were necessary to properly record the following:

- Interfund receivables, payables and transfers
- Additional accounts receivable and unearned revenue
- Individual fund cash balances and fund balances to actual.

Through inquiries and discussions with the ISC's accounting personnel and Executive Director, auditors noted that the ISC did not have adequate controls to record and report the ISC's net accrued pension and OPEB liabilities/assets, deferred outflows of resources, deferred inflows of resources and pension and OPEB 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. Although significant strides were made during the current fiscal year, additional time is necessary to successfully detect all adjustments necessary to present the ISC's financial statements in accordance with GAAP. In addition, the complex

requirements of GASB Statements No. 68, No. 71 and No. 75 will require additional time and training before the accounting staff can fully implement the requirements on their own. (Finding 18-001, 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, the ISC 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. Progress is being made to achieve this goal and will continue through implementation and conversion to new financial software, which began in FY2018 and continues into FY2019, that ISC and District 62 jointly have procured. The use of this new financial software and assistance of a CPA in compiling financial statements will facilitate GAAP reporting and improved internal control procedures.*

Prior Year 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 FY2018 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.*

AUDITORS' OPINION

Our auditors state the North Cook Intermediate Service Center #1's financial statements as of June 30, 2018 are fairly presented in all material respects.

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

SIGNED ORIGINAL ON FILE

JEANNE MICHAUD
Audit Manager

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

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