



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, 2019

Release Date: June 17, 2020

| 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 | | 19-1 | | |
| 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

- **(19-1)** 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.

INTERMEDIATE SERVICE CENTER #1
NORTH COOK

FINANCIAL AUDIT
For The Year Ended June 30, 2019

| | FY 2019 | FY 2018 |
|--|----------------|----------------|
| TOTAL REVENUES | \$4,001,569 | \$3,703,420 |
| Local Sources | \$1,583,917 | \$1,710,737 |
| % of Total Revenues | 39.58% | 46.19% |
| State Sources | \$2,365,119 | \$1,816,622 |
| % of Total Revenues | 59.10% | 49.05% |
| Federal Sources | \$52,533 | \$176,061 |
| % of Total Revenues | 1.31% | 4.75% |
| TOTAL EXPENDITURES | \$3,553,598 | \$3,054,454 |
| Salaries and Benefits | \$2,593,590 | \$2,230,089 |
| % of Total Expenditures | 72.98% | 73.01% |
| Purchased Services | \$900,127 | \$763,023 |
| % of Total Expenditures | 25.33% | 24.98% |
| All Other Expenditures | \$59,881 | \$61,342 |
| % of Total Expenditures | 1.69% | 2.01% |
| TOTAL NET POSITION | \$3,183,951 | \$2,735,980 |
| INVESTMENT IN CAPITAL ASSETS | \$1,353 | \$1,210 |
| 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 ISC, adjustments were necessary to properly record the following:

- Interfund receivables and payables
- Additional accounts receivable, unearned revenue, and unavailable revenue
- Adjust certain individual fund cash balances to actual
- Net accrued pension and OPEB liabilities/assets, deferred outflows of resources, deferred inflows of resources, and pension and OPEB expenses in accordance with GAAP

ISC management indicated 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 adequately

implement the requirements on their own. (Finding 19-001, 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 through FY2020, that the ISC and District 62 jointly have procured. The use of this new financial software, training related to GASB Statements No. 68, No. 71, and No. 75, and assistance of a CPA in compiling financial statements 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, 2019 are fairly presented in all material respects.

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

SIGNED ORIGINAL ON FILE

JOE BUTCHER
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:BAO