



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**INTERMEDIATE SERVICE CENTER #2**  
**WEST COOK**

**FINANCIAL AUDIT**  
**For the Year Ended: June 30, 2021**

**Release Date: July 9, 2025**

FINDINGS THIS AUDIT: 6				AGING SCHEDULE OF REPEATED FINDINGS			
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	1	1	2	2015			21-1
Category 2:	0	2	2	2012	21-2		
Category 3:	0	2	2	2018			21-4
TOTAL	1	5	6	2019		21-5	
				2020		21-6	
FINDINGS LAST AUDIT: 6							

**SYNOPSIS**

- (21-1) The Intermediate Service Center #2 did not provide completed financial statements in an auditable form by the August 31 deadline.
- (21-2) The Intermediate Service Center #2 did not have adequate internal control procedures.
- (21-3) The Intermediate Service Center #2 lacked adequate controls over the identification of federal awards.
- (21-4) The Intermediate Service Center #2 did not have adequate internal controls over grant compliance.
- (21-5) The Intermediate Service Center #2 did not have adequate internal controls over procurement-card transactions.
- (21-6) The Intermediate Service Center #2 did not have adequate internal controls over payroll processing.

**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 #2**  
**WEST COOK**

**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2021**

	<b>FY 2021</b>	<b>FY 2020</b>
<b>TOTAL REVENUES</b>	\$14,714,622	\$14,284,923
Local Sources	\$1,540,767	\$1,631,382
% of Total Revenues	10.47%	11.42%
State Sources	\$12,712,353	12,600,888
% of Total Revenues	86.39%	88.21%
Federal Sources	\$461,502	\$52,653
% of Total Revenues	3.14%	0.37%
<b>TOTAL EXPENDITURES</b>	\$13,027,227	\$14,675,450
Salaries and Benefits	\$10,771,936	\$9,798,569
% of Total Expenditures	82.69%	66.77%
Purchased Services	\$1,623,189	\$1,484,993
% of Total Expenditures	12.46%	10.12%
All Other Expenditures	\$632,102	\$3,391,888
% of Total Expenditures	4.85%	23.11%
<b>TOTAL NET POSITION</b>	\$3,494,182	\$1,806,787
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$0	\$0
Percentages may not add due to rounding.		

<b>EXECUTIVE DIRECTOR</b>
During Audit Period: Dr. Mark Klaisner Currently: Dr. Mark Klaisner

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### **DELAY OF AUDIT**

**The Intermediate Service Center #2 did not provide completed financial statements in an auditable form by the August 31 deadline.**

The Intermediate Service Center #2 (ISC) did not provide completed financial statements in an auditable form by the August 31, 2021 deadline. The June 30, 2020 report was not released until August 14, 2024. The FY21 completed financial statements were provided to auditors on December 19, 2024.

The ISC is subject to 105 ILCS 5/2-3.17a which requires the Auditor General's office to cause an audit to be made, as of June 30<sup>th</sup> of each year, of the financial statements of all accounts, funds, and other moneys in the care, custody, or control of the executive director of each educational service region in the State and of each educational service center established in the School Code. The audit is to be conducted in accordance with Generally Accepted Government Auditing Standards. The Regional Office of Education or Educational Service Center may utilize a cash basis, modified cash basis, or Generally Accepted Accounting Principles (GAAP) basis of accounting to prepare the financial statements for audit. The ISC has chosen the cash basis of accounting for financial reporting.

In accordance with 105 ILCS 5/2-3.17a, the Auditor General has promulgated administrative rules and regulations to govern this process. Those rules, 74 Ill. Adm. Code 420.320 (c) (2), state that for audit purposes, each regional office of education and educational service center shall make available to the Auditor General or his designee all books and records deemed necessary to make and complete the required audits. The records shall be in auditable form by August 15 of the succeeding fiscal year. Financial reports are to be available no later than August 31 in order for the annual audit to be completed by an independent auditor selected by the Auditor General.

In addition, prudent business practices and transparency require timely preparation and completion of financial statements.

ISC management indicated they incurred key employee turnover which has put them behind in financial reporting. (Finding 21-001, pages 10 – 11) **This finding was first reported in 2015.**

The auditors recommended the ISC should implement procedures to ensure compliance with 105 ILCS 5/2-3.17a and 74 Ill. Adm. Code 420.320 (c) (2). These financial statements need to be presented to the Auditor General's independent auditors for audit by the August 31 deadline.

**ROE Response:** *As this writing is occurring in FY25, we expect to see this as an ongoing finding for the audits yet to be completed for FY21-24. We have worked with our contracted accountant over the past eight years, who has experience with ROE/ISC audits and knows the requirements, to have reports available in a timely manner moving forward. We have also hired a Chief School Business Official (CSBO) who started work here in July 2021 to address this issue and other findings in this document.*

## **INADEQUATE INTERNAL CONTROL PROCEDURES**

**The Intermediate Service Center #2 did not have adequate internal control procedures.**

The Intermediate Service Center #2 (ISC) did not have adequate internal control procedures. Auditors noted the following weaknesses in the ISC's internal control system for which there were no mitigating controls:

- All transactions were not initially posted directly to the correct funds in the general ledger. Subsequent adjusting entries had to be recorded to reclassify them to the proper fund.
- There was a lack of segregation of duties within the cash receipts process. The same employee was primarily responsible for creating invoices for programs and academies, receiving and depositing cash receipts, and following up on outstanding balances. Additionally, there was no formal process for reviewing amounts owed to the ISC.

The ISC is responsible for establishing and maintaining an internal control system over accounting transactions to prevent errors and fraud.

ISC management indicated it had not established or documented sufficient internal control procedures. (Finding 21-002, pages 12 – 13) **This finding was first reported in 2012.**

The auditors recommended the ISC implement internal control procedures to ensure the following:

- Transactions should be posted directly to appropriate accounts upon initial recording to avoid subsequent reclassifications.
- Incompatible accounting functions need to be segregated and a formal process for reviewing amounts owed to the ISC implemented.

### **ROE Response:**

- *Since the original finding regarding reclassifications, we have been training staff to provide accurate account coding to minimize the number of journal entries needed.*

- *A receivables module in our financial software has been implemented which allows departments to better monitor any outstanding invoices.*

## **LACK OF ADEQUATE CONTROLS OVER THE IDENTIFICATION OF FEDERAL AWARDS**

### **The Intermediate Service Center #2 lacked adequate controls over the identification of federal awards.**

As part of the audit process, we noted that the Intermediate Service Center No. 2 (ISC) erroneously recorded \$320,000 of federal grant revenue as local revenue in the General Fund Local Sources account. The revenue should have been shown as a program in the Education Fund.

The Illinois State Board of Education (ISBE) *State and Federal Grant Administration Policy, Fiscal Requirements and Procedures*, requires all State and federal grants awarded from ISBE to follow Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance). Section §200.303 of the Uniform Guidance Internal Controls requires that recipients and subrecipients must establish, document, and maintain effective internal control over the Federal award that provides reasonable assurance that the recipient or subrecipient is managing the Federal award in compliance with Federal statutes, regulations, and the terms and conditions of the Federal award.

By improperly classifying federal awards as local revenue, the ISC runs the risk of:

- failing to identify federal expenditures which could necessitate a Single Audit;
- improperly reflecting a federal program on their financial statements; and
- failing to restrict fund balance for any unspent grant proceeds at year end.

ISC management indicated that separate revenue and expenditure accounts were maintained in the general ledger for this grant but it was not identified as a federal award. (Finding 21-003, page 14)

The auditors recommended the ISC should implement adequate internal controls to ensure that federal grants are properly identified and accounted for in their general ledger and on their financial statements.

**ROE Response:** *A Director of Grants was hired in FY23 and has built a team with experience and expertise in grant requirements and proper coding of grant revenue and expenses.*

## CONTROLS OVER GRANT COMPLIANCE

### **The Intermediate Service Center #2 did not have adequate internal controls over grant compliance.**

The Intermediate Service Center #2 (ISC) did not have adequate internal controls over grant compliance. During the course of the audit, auditors noted 23 of the 70 (33%) expenditure reports required by the Illinois State Board of Education (ISBE) were not submitted timely. Three expenditure reports were submitted more than 22 days late, one was submitted 19 days late, one was submitted 12 days late, one was submitted 7 days late, five were submitted 4 days late, two were submitted 2 days late and ten were submitted one day late.

As a recipient of federal, State and local funds from various grantor agencies, the ISC must incorporate certain procedures into its operations to comply with the grant agreements with these entities.

The ISC is responsible for establishing and maintaining an internal control system over the completion of timely quarterly expenditure reports required for grants administered by ISBE. ISBE requires expenditure reports to be filed within 20 days of the applicable end of each quarter.

ISC management indicated that this occurred due to key employee turnover which has put them behind in financial reporting. (Finding 21-004, page 15)

The auditors recommended the ISC should implement adequate internal controls to ensure that expenditure reports are filed timely.

**ROE Response:** *A Director of Grants and Assistant Director of Grants were hired in FY23 to oversee and monitor all grant purchases.*

## INADEQUATE CONTROLS OVER PROCUREMENT-CARD TRANSACTIONS

### **The Intermediate Service Center #2 did not have adequate internal controls over procurement-card transactions.**

The Intermediate Service Center #2 (ISC) did not have adequate internal controls over procurement-card (P-card) transactions. Internal controls over disbursements were not effectively designed and implemented. During the auditors testing of a sample of three months of P-card transactions, supporting receipts were not provided for 20 cardholders' transactions totaling \$24,158.

The ISC is required to maintain a system of controls over disbursements to prevent errors, omissions, and fraud.

ISC management indicated charge receipts were misplaced and could not be found. (Finding 21-005, page 16)

The auditors recommended the ISC procedures should be implemented to ensure documentation of P-card activity is obtained and retained.

**ROE Response:** *Intermediate Service Center No. 2 will implement procedures to ensure documentation of P-card activity is obtained and retained.*

## **INADEQUATE CONTROLS OVER PAYROLL PROCESSING**

### **The Intermediate Service Center #2 did not have adequate internal controls over payroll processing.**

The Intermediate Service Center #2 (ISC) did not have adequate internal controls over payroll processing. During auditors' testing of a sample of 40 payroll transactions, auditors noted that 3 (7.5%) employees had no documentation of an approved pay rate on file. As a result, auditors were unable to determine the accuracy of the payment to those employees.

In addition, another employee had an incorrect FY20-21 Salary Employee Agreement on file which indicated a salary of \$61,728 rather than the correct salary of \$48,189. The employee was paid based on the correct salary for the period tested. Finally, preparation of time and effort reports with percentage of time spent on various programs was discontinued in fiscal 2021.

Best practices require the ISC to maintain a system of controls over payroll processing which includes documentation supporting approved pay rates, provides reasonable assurance that the salary and benefit charges are accurate and properly allocated, and requires records to be used to support the distribution of employee salaries and benefits among specific activities if the employee works on multiple programs.

ISC management indicated that the discontinuation of time and effort reports was due to the fact that the reports were not being reviewed and a new time keeping system was going to be purchased. Approved pay rates may not have been documented or copies were not made for the employee files and an updated Salary Employee Agreement was not generated even though the correct pay rate was used. (Finding 21-006, pages 17 – 18)

The auditors recommended the ISC employ best practices to require time sheets or time and effort reports and ensure that accurate documentation supporting pay rates is maintained in personnel files.

**ROE Response:** *Salaries are entered by one employee and now reviewed for accuracy by another staff member. Staff whose salaries are funded by a grant are required to track their time in recently purchased time tracking software.*

## **AUDITORS' OPINION**

Our auditors state the Intermediate Service Center #2's financial statements as of June 30, 2021 are fairly presented in all material respects.

This financial audit was conducted by the firm of GW & Associates PC.

**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:JMM