



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

Frank J. Mautino, Auditor General

**SUMMARY REPORT DIGEST**

**INTERMEDIATE SERVICE CENTER #4**  
**SOUTH COOK**

**FINANCIAL AUDIT**  
**For the Year Ended: June 30, 2018**

**Release Date: August 22, 2019**

FINDINGS THIS AUDIT: 2				AGING SCHEDULE OF REPEATED FINDINGS			
				Repeated Since	Category 1	Category 2	Category 3
	<u>New</u>	<u>Repeat</u>	<u>Total</u>	2017	18-1		
<b>Category 1:</b>	<b>1</b>	<b>0</b>	<b>1</b>				
<b>Category 2:</b>	<b>0</b>	<b>1</b>	<b>1</b>				
<b>Category 3:</b>	<b>0</b>	<b>0</b>	<b>0</b>				
<b>TOTAL</b>	<b>1</b>	<b>1</b>	<b>2</b>				
FINDINGS LAST AUDIT: 5							

**SYNOPSIS**

- **(18-1)** The South Cook Intermediate Service Center #4 lacked an adequate system of internal controls over financial reporting.
- **(18-2)** The South Cook Intermediate Service Center #4 did not properly recognize and disclose postemployment benefits other than pensions as required by Governmental Accounting Standards Board Statement No. 75.

**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 #4**  
**SOUTH COOK**

**FINANCIAL AUDIT**  
**For The Year Ended June 30, 2018**

	<b>FY 2018</b>	<b>FY 2017</b>
<b>TOTAL REVENUES</b>	\$5,761,137	\$6,244,520
Local Sources	\$1,765,192	\$1,879,718
% of Total Revenues	30.64%	30.10%
State Sources	\$3,644,687	\$3,469,116
% of Total Revenues	63.26%	55.55%
Federal Sources	\$351,258	\$895,686
% of Total Revenues	6.10%	14.34%
<b>TOTAL EXPENDITURES</b>	\$5,452,768	\$5,970,964
Salaries and Benefits	\$4,271,949	\$4,601,413
% of Total Expenditures	78.34%	77.06%
Purchased Services	\$830,986	\$1,014,741
% of Total Expenditures	15.24%	16.99%
All Other Expenditures	\$349,833	\$354,810
% of Total Expenditures	6.42%	5.94%
<b>TOTAL NET POSITION</b>	\$4,136,629 <sup>1</sup>	\$5,978,774
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$2,880,530	\$2,735,482
<sup>1</sup> The FY 2018 beginning net position was restated by (\$2,150,514) 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. Vanessa J. Kinder  
 Currently: Dr. Vanessa J. Kinder

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### INTERNAL CONTROL DEFICIENCIES

**The South Cook Intermediate Service Center #4 lacked an adequate system of internal controls over financial reporting.**

The South Cook Intermediate Service Center #4 (ISC) lacked an adequate system of internal controls over financial reporting. Auditors noted the following weaknesses:

- There was no formal review and approval over the manual journal entry process by an individual independent of the general ledger process.
- No formal documentation was maintained to indicate review of the reconciliation of deposit totals by account to the general ledger by the bookkeeper after Bloom Township Trustees of schools had deposited and recorded the cash receipts.

The ISC is responsible for establishing and maintaining a system of internal controls over the accounting function sufficient to prevent errors and fraud.

ISC officials indicated they had not established sufficient internal control procedures. (Finding 18-001, page 11a)

The auditors recommended a formal review and approval process over manual journal entries by an individual independent of the general ledger process should be implemented. Additionally, formal documentation should be maintained of the ISC's review of the reconciliation of deposit totals by account to the general ledger after Bloom Township Trustees of Schools has deposited and recorded the cash receipts.

**ROE Response:** *The ISC now maintains all supporting documentation for manual journal entries and a formal review process occurs. All journal entries originate with the ISC bookkeeper; journal entries are then approved by the Executive Director and documentation of the entry and the approval process are maintained on file for the auditor's review. In addition, all documentation is reviewed by a public accounting firm and is prepared before the audit year begins. The ISC will work with the Bloom Township Treasurer's Office and request copies of reconciliation statements to confirm/verify that all of the ISC's accounts were properly reconciled. The ISC bookkeeper will maintain documentation of reconciliation deposit totals.*

## **DEPARTURE FROM U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES (GAAP)**

**The South Cook Intermediate Service Center #4 did not properly recognize and disclose postemployment benefits other than pensions as required by Governmental Accounting Standards Board Statement No. 75.**

The South Cook Intermediate Service Center #4 (ISC) did not properly recognize and disclose postemployment benefits other than pensions (OPEB) for all employees as required by Governmental Accounting Standards Board (GASB) Statement No. 75 in their financial statements or notes.

The ISC participates in a defined benefit Other Postemployment Benefits – Health Insurance Plan (“OPEB Plan”), which provides postemployment benefits other than pensions to its employees in exchange for employee services rendered. Under accrual accounting, the cost of OPEB, and any related OPEB liability for the OPEB Plan, should generally be recorded in the period when the exchange for the employees’ services occurs, rather than when the benefits are paid. Currently, the ISC’s OPEB Plan is financed on a pay-as-you-go basis, and as such, the financial statements do not report the financial effects of OPEB until the promised benefits are paid. The ISC’s actuarial valuation of its OPEB liability included Teachers’ Retirement System (TRS) employee information; however Illinois Municipal Retirement Fund (IMRF) employee information was not included in order to be in compliance with GASB Statement No. 75.

The Illinois Administrative Code (74 Ill. Adm. 420.320 (c) (1) and (2)) requires that each Regional Office of Education and Intermediate Service Center maintain the accounting records necessary to prepare financial statements in accordance with U.S. generally accepted accounting principles (GAAP).

*GASB Statement No. 75 – Accounting and Financial Reporting for OPEB* requires that employers recognize and disclose OPEB expense. Net OPEB obligations, if any, should be reported as liabilities (or assets if overfunded) in the financial statements. For financial reporting purposes, an actuarial valuation, prepared in accordance with GASB Statement No. 75, is required to measure and disclose the annual OPEB cost. In certain circumstances, an alternative measurement method can be applied instead of obtaining an actuarial valuation.

In the absence of an actuarial valuation prepared in accordance with GASB Statement No. 75 for the IMRF employees, the auditors could not reasonably determine the amount by which this departure would affect assets, liabilities, deferred outflows of resources, deferred inflows of resources, and/or expenditures of the ISC as of June 30, 2018.

ISC officials indicated their actuarial valuation did not include IMRF employee information in order to be in compliance with GASB Statement No. 75. (Finding 18-002, pages 11b – 11c)

The auditors recommended the ISC should obtain an actuarial valuation of its OPEB Plan that includes IMRF employee information to be in compliance with GASB Statement No. 75 and include all disclosures required by the Statement in its financial statements.

**ROE Response:** *The ISC has contracted with an actuary to obtain an actuarial valuation for its IMRF employees. The ISC will include the required disclosures in the fiscal year 2019 financial statements.*

### **AUDITORS' OPINION**

Our auditors state the South Cook Intermediate Service Center #4's financial statements as of June 30, 2018 are fairly presented in all material respects except for the effects of not recognizing or disclosing Illinois Municipal Retirement Fund postemployment benefits other than pensions in the Statement of Net Position and the Statement of Activities.

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

FJM:JRB