



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

William G. Holland, Auditor General

**SUMMARY REPORT DIGEST**

**INTERMEDIATE SERVICE CENTER #1**  
**NORTH COOK**

**FINANCIAL AUDIT**  
**For the Year Ended: June 30, 2014**

**Release Date: June 23, 2015**

FINDINGS THIS AUDIT: 2	AGING SCHEDULE OF REPEATED FINDINGS						
	New	Repeat	Total	Repeated Since	Category 1	Category 2	Category 3
Category 1:	2	0	2	No Repeat Findings			
Category 2:	0	0	0				
Category 3:	0	0	0				
<b>TOTAL</b>	<b>2</b>	<b>0</b>	<b>2</b>				
<b>FINDINGS LAST AUDIT: 0</b>							

**SYNOPSIS**

- **(14-1)** The Intermediate Service Center #1 did not have sufficient internal controls over the financial reporting process.
- **(14-2)** The Intermediate Service Center #1 did not have adequate internal control procedures.

**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, 2014**

	<b>FY 2014</b>	<b>FY 2013</b>
<b>TOTAL REVENUES</b>	\$3,817,496	\$3,728,780
Local Sources	\$1,974,724	\$1,786,536
% of Total Revenues	51.73%	47.91%
State Sources	\$1,476,580	\$1,565,328
% of Total Revenues	38.68%	41.98%
Federal Sources	\$366,192	\$376,916
% of Total Revenues	9.59%	10.11%
<b>TOTAL EXPENDITURES</b>	\$3,756,934	\$4,227,147
Salaries and Benefits	\$2,529,901	\$2,783,366
% of Total Expenditures	67.34%	65.85%
Purchased Services	\$1,150,442	\$1,326,815
% of Total Expenditures	30.62%	31.39%
All Other Expenditures	\$76,591	\$116,966
% of Total Expenditures	2.04%	2.77%
<b>TOTAL NET POSITION</b>	\$2,463,677 <sup>1</sup>	\$2,157,976
<b>INVESTMENT IN CAPITAL ASSETS</b>	\$53,699	\$11,982
<p><sup>1</sup>The Beginning Net Position was restated by \$245,139 due to a prior period adjustment and the reclassification of a program.</p> <p>Percentages may not add due to rounding.</p>		

<b>EXECUTIVE DIRECTOR</b>
During Audit Period: Dr. Bruce Brown Currently: Dr. Bruce Brown

## FINDINGS, CONCLUSIONS, AND RECOMMENDATIONS

### CONTROLS OVER FINANCIAL STATEMENT PREPARATION

**The Intermediate Service Center #1 did not have sufficient internal controls over the financial reporting process.**

The Intermediate Service Center #1 is required to maintain a system of controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). Intermediate Service Center #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).

The Intermediate Service Center #1 did not have sufficient internal controls over the financial reporting process. The Service Center maintains its accounting records on the cash basis of accounting during the fiscal year and posts year-end accrual entries for financial statement purposes. While the Service Center maintains controls over the processing of most accounting transactions, there are not sufficient controls over the preparation of 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.

During review of the Intermediate Service Center #1's financial information prepared by the Intermediate Service Center #1, the following were noted:

- The Intermediate Service Center #1 did not have adequate controls over the maintenance of complete records of accounts receivable, accounts payable, or unearned revenue. While the Service Center did maintain records to indicate the balances of some accounts receivable, accounts payable, and unearned revenue, not all necessary entries were provided to post the activity.
- Several adjustments were necessary to properly record interfund receivables and payables.
- Several adjustments were necessary to properly categorize funds as to fund types (general, special revenue, proprietary).
- Several adjustments were necessary to adjust fund balances to actual.
- An entry was necessary to reclassify payments to a vendor to an expenditure account rather than netted against the revenue recorded for the related service.

The Intermediate Service Center #1 did not have adequate funding to hire, as full-time staff, a certified public accountant or other financial professionals with the appropriate training and expertise. (Finding 2014-001, pages 11a-11b)

The auditors recommended that, as part of internal control over the preparation of financial statements, the Intermediate Service Center #1 should implement comprehensive preparation procedures to ensure that 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 Intermediate Service Center #1's activities and operations.

The Intermediate Service Center #1 responded that the Center's new Business Manager is an accountant and possesses many years of experience in school finance. ISC #1 noted that the new Business Manager will strive to do her best to prepare the financial statements in accordance with GAAP.

#### **INADEQUATE INTERNAL CONTROL PROCEDURES**

**The Intermediate Service Center #1 did not have adequate internal control procedures.**

The Intermediate Service Center #1 is responsible for establishing and maintaining an internal control system over receipts and disbursements sufficient to prevent errors and fraud.

Auditors noted the following weaknesses in the Intermediate Service Center #1's internal control system:

- Lack of segregation of duties exists over receipts since the same individual receiving tuition monies also creates the deposit slip, records the receipt in the general ledger, and is responsible for making the deposit at the bank.
- Lack of segregation of duties exists over disbursements since the person entering bills, printing checks (which contain an electronic signature), and mailing the checks is also responsible for providing a check register to the Board for approval and to the Township for use in their reconciliation of the Service Center's accounts.
- The Executive Assistant does not formally document her review of the Accounts Payable Pre-list and Check Register.
- Journal entries made by the accounting department are not formally reviewed and approved by the Executive Director.

The Intermediate Service Center #1 has not established sufficient internal control procedures. (Finding 2014-002, page 11c)

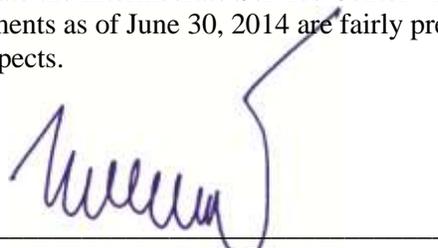
The auditors recommended that the Intermediate Service Center #1 should do the following:

- Tuition monies should be recorded in the general ledger by an individual independent of the receipt and deposit of the same monies.
- Signed disbursement checks should be reviewed and mailed by an individual independent of the check preparation and recording functions. This review should include comparing the signed checks to the check register that will be provided to the Board and to the Township. The individual performing the review should initial the check register before providing it to the Board and to the Township.
- The Executive Assistant should document her review of the Accounts Payable Pre-list and Check Register with an actual signature or initials.
- Journal entries should be reviewed on a regular basis with this review being formally documented by initialing the journal entry report by the Executive Director.

The Intermediate Service Center #1 responded that it agrees with the finding and will make changes to its internal control procedures to address the deficiencies identified above.

#### **AUDITORS' OPINION**

Our auditors state the Intermediate Service Center #1's financial statements as of June 30, 2014 are fairly presented in all material respects.



---

WILLIAM G. HOLLAND  
Auditor General

WGH:KJM

AUDITORS ASSIGNED: Kemper CPA Group LLP were our special assistant auditors.