



# Illinois Heartland Library System

MEMO TO: IHLS Board of Directors  
FROM: Leslie Bednar  
DATE: October 24, 2014  
RE: FY2014 Audit Update

On October 13, Illinois Heartland Library System (IHLS) requested and received a second extension from the Illinois State Library (ISL) of the FY2014 Annual Report. The primary component of the Annual Report is the Financial Audit as most of the report's financial sections are based on audited financial data. The audit itself is included in the annual report. Our new deadline to submit the Annual Report is November 30, 2014.

We set October 27 as the on-site date for our auditors. This is the third of a three-year engagement with the firm. Prior to their on-site visit, the auditors requested several items from IHLS.

In preparation for the FY2014 audit, our Accounting staff have taken a very detailed look at financial transactions from the first eight months of FY2014. The discoveries are detailed on the attached Financial Transaction Controls and Processing Inefficiencies, which provides an overview of the magnitude of the complexities we have faced in our daily accounting operations.

Throughout the audit prep period we have requested standard information from prior-year audits from the auditors. Some of the requests (especially from the FY2013 audit process) were based on our lack of internal accounting documentation.

As our staff have looked to prior years' audits and records to validate beginning balances for the FY2014 audit, it became clear the auditors and IHLS were working at cross-purposes. Fund balances for some of our special revenue funds have not been examined and investigated and may have led to erroneous statements on our financial reports. For example, our staff work with the expectation that grant fund balances should be zero at the end of a grant contract term.

We reached out to Greg McCormick (Fiscal Officer, ISL) for a second look at this situation. Greg looked at a single grant over several years and found anomalies in the data. He offered to meet with our staff and auditors to resolve the situation as soon as possible so we can go forward with good, clean numbers. A copy of Greg's correspondence to me is attached for your reference.

At the end of the day, our goal is to meet our contractual obligations with the ISL and to be compliant with their expectations of accounting accuracy. We understand this goal is shared by the ISL as well and we will work quickly to resolve the situation so the FY2014 audit may occur, and we can provide our stakeholders with accurate financial information.

Please let me know if you have any questions or concerns and I will respond as factually as possible.

Thank you.