

Board of Trustees and Management  
Village of Alsip, Illinois  
Alsip, Illinois

In planning and performing our audit of the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Village of Alsip (the "Village") as of and for the year ended April 30, 2013, in accordance with auditing standards generally accepted in the United States of America, we considered the entity's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

#### **Material weaknesses**

We consider the following deficiencies in the entity's internal control to be material weaknesses.

#### ***Preparation of financial statements and material audit adjustments***

The Village has historically engaged CliftonLarsonAllen LLP (CLA) to assist it in preparing its financial statements and accompanying disclosures as well as proposing certain journal entries related to adjusting the Village's financial statements from a cash basis to a modified accrual basis or to an accrual basis, as necessary. This has been done both as a matter of convenience for management in completing the year-end financial work as well as to ensure that the reports are presented in compliance with current reporting standards and that all disclosures are complete and accurate. The financial statement preparation process is part of the internal control system for the Village. However, in smaller operations such as the Village, where budgetary constraints prohibit the hiring of additional personnel with an up to date understanding of all of the recent accounting pronouncements, existing financial personnel may not be able to perform this function with the same high level of assurance. As such, CLA will continue to provide this service to the Village as part of the year-end financial audit. However, we wish to remind you that as your auditors we are not part of your internal control system.

***Prior period adjustment***

During our audit, management informed us they determined the prior period's accruals were understated. As a result of this understatement, an adjustment was necessary to reduce the business-type and water and sewer net asset balances by approximately \$450,000. The controls over expense and accounts payable cutoff were not operating effectively, thus causing a need for a restatement. A weak control environment over expense and accounts payable cutoff could lead to additional misstatements in subsequent periods. We recommend the Village implement controls and processes to address this deficiency including a timely review of actual versus budget results by the board or delegated committee and monthly review and reconciliation of accounts payable.

***Management's response***

The new finance director with staff has decreased the payment time of invoices which will help in decreasing the amount and complexity of accruals at year-end.

***Significant deficiencies***

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the following deficiencies in the entity's internal control to be significant deficiencies:

***Preparation of schedule of expenditures of federal awards***

As part of the separate audit of the funds received related to the IEPA loan for the reservoir project, we recorded two adjustments to present the SEFA in compliance with regulations. The adjustments were a result of invoices received late for prior year construction services as well as an unrecorded retention amount. While these adjustments had no effect on the net assets of the Village, the net effect of these adjustments on the SEFA was to reduce federal expenditures by \$50,795. The Village should consider implementing additional controls; otherwise, future periods could be misstated or cause the Village to be out of compliance with legal or contractual compliance. We recommend the Village verify the date services were performed on contractor invoices as well as insure the retention portion is properly recorded at year-end.

The identified significant deficiency is not considered to be a material weakness.

***Management's response***

The Village staff under the new finance director's direction will take an extra look at contractor invoices and verify the date of services at year-end to properly record any future retention amounts.

***Other matters***

During our audit, we became aware of matters that are opportunities to strengthen your internal control and improve the efficiency of your operations. While the nature and magnitude of the other deficiencies in internal control were not considered important enough to merit the attention of the board of trustees, they are considered of sufficient importance to merit management's attention and are included herein to provide a single, comprehensive communication for both those charged with governance and management.

***Cash management***

Due to the number of financial institutions and bank accounts the Village utilizes, cash flow management can be a very complex task for the Village. In order to achieve optimal cash flow and best manage its cash on hand, we suggest the Village develop a centralized cash management system. Benefits of such a system include:

- Cash requirements and availability of funds entity-wide are readily accessible to the cash manager.
- Unused cash could be invested in an overnight money market fund (sweep account) to maximize interest income.
- Short-term cash available between funds could be pooled, allowing a more efficient flow of cash between funds and process efficiencies.
- Ability to negotiate bank fees and secure preferential services.

These are only some of the benefits of a more centralized cash management system. We would be happy to discuss how a system would be placed into service.

***Management's response***

The new finance director has been meeting with the various banking entities where accounts are located, to determine a more effective and efficient way of structuring the Village's cash management.

***Information technology system***

The Village's current IT system has not had an upgrade in multiple years and does not offer the capabilities that could be provided by a more robust system. Examples of additional capabilities include a more streamlined reporting process, ability to better analyze trends and opportunities through more timely analysis of operations, and daily process efficiencies. We recommend the Village consider exploring the feasibility and cost/benefit of implementing an upgraded IT system.

***Management's response***

The new finance director and newly promoted information technology/network manager are currently project managing a conversion to an application service provider (Cloud platform) with its current vendor, which will upgrade the systems to the newest version of the enterprise-wide software.

***Interfund receivables and payables***

After our discussions with management during the audit, it was noted that there are interfund receivables and payables which have remained unchanged and outstanding for a number of years. Inaccurate interfund receivables and payables could distort the financial positions of funds and thereby affect strategic decisions. We recommend the Village investigate these balances and resolve them as deemed necessary during fiscal year 2014.


***Management's response***

The new finance director with staff will review what has been researched in the past by both the staff and the auditors to determine a recommendation to be implemented during the next audit cycle.

The Village's written responses to the material weaknesses, significant deficiencies, and other matters identified in our audit were not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

This communication is intended solely for the information and use of management, the board of trustees, and others within the entity, and is not intended to be, and should not be, used by anyone other than these specified parties.

The purpose of this communication is solely to describe the scope of our testing of internal control over financial reporting and the results of that testing. This communication is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control over financial reporting. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Oak Brook, Illinois  
November 11, 2013