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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, each major fund, and the aggregate remaining fund information of the Village of Alsip, Illinois (the "Village") as of and for the year ended April 30, 2015, 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. In addition, because of inherent limitations in internal control, including the possibility of management override of controls, misstatements due to fraud or error may occur and not be detected by such controls. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 weakness

We consider the following deficiency in the Village's internal control to be a material weakness.

Wire transfers

The Village accountant has the ability to initiate and execute wire transfers from the Village's bank accounts to outside bank accounts without any second review or approval. This same individual also prepares the bank reconciliations and is a signor on the respective accounts. This lack of control could allow incorrect or inappropriate fund transfers to be made out of the Village's accounts. We recommend that the Village implement a dual approval process on wire transfers. This would ensure that two individuals are reviewing transfers before they occur.

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 Village's internal control to be significant deficiencies.



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Accounting records review

During our audit, we noted that for several months of the fiscal year no documented review was performed of the Village accountant's work, including cash reconciliations, other account reconciliations, transfers, and general journal entries. This was due primarily to the turnover noted in the Finance Director position during the fiscal year. This lack of documented review could allow incorrect or inappropriate information to be entered into the Village's general ledger system and not be detected in a timely manner. We recommend that management develop procedures whereby a documented review is performed on maintained on file.

Journal entries

The Village has historically engaged CliftonLarsonAllen LLP (CLA) to propose 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. CLA will continue to provide this service to the Village as part of the year-end financial audit. Management's review and approval of the journal entries serves as the Village's control over the financial reporting process.

Other deficiencies in internal control and other matters

During our audit, we became aware of other deficiencies in internal control and other 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.

Disbursement approvals

During our audit, we noted one disbursement that did not have appropriate approvals in accordance with the Village's policy. This lack of approval could allow for erroneous or inappropriate disbursements of Village funds. Based on discussions with management and review of current policies, this has been corrected in the current fiscal year, as a stamp is now included on each invoice outlining the information, including approvals, that needs to be completed before the invoice will be paid.

Information technology system and security

We recommend that management develop a written policies and procedures manual related to the system. This will establish guidelines for users and develop an environment of control in the IT area. Proper policies should also include removing users' rights from the system once the user is no longer employed by the Village. In addition, the Village should assess its information technology security for weaknesses and potential outsider access points.

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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.

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Oak Brook, Illinois
December 22, 2015



M E M O R A N D U M

DATE: 2/8/2016
TO: Finance Committee
FROM: Kent Oliven, Finance Director [koliven@VillageOfAlsip.org; (708) 385-6902 x331]
RE: **Management's Response to the FY15 Audit's Management Letter**

AICPA's Statement on Auditing Standard 115's Communicating Internal Control Related Matters Identified in an Audit is commonly referred to as the Management Letter. It mandates communication from the audit firm any internal control issues that may be an issue. There is nothing in SAS 115 that states that management has any responsibility to respond to this letter. However, Government Finance Officer Association (GFOA) Best Practice "Mitigating the Negative Effects of Statement on Auditing Standards No. 112 (2007) (CAAFR)" (note SAS 115 replaced SAS 112, but the idea is the same) implies that a response would be best practice. Therefore, what follows is a financial management (i.e. Finance Director's) response to the items in the Village of Alsip's Internal Control Communication/Management Letter from the Village's audit firm.

1. Wire Transfers (Material Weakness)

Management agrees. Management has removed the accountant from one bank, is in the process of removing another (Illinois Funds is changing structure and the forms already completed and returned and should go into effect in mid-February as part of that process), and will complete the third bank with wire capabilities. Please note that this situation arose due to the departure of the previous Finance Director.

2. Accounting Records Review (Deficiency)

Management agrees with the following from the auditor's letter: "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. CLA will continue to provide this service to the Village as part of the year-end financial audit. Management's review and approval of the journal entries serves as the Village's control over the financial reporting process."

3. Disbursement Approvals (Deficiency)

Management feels that not only should a disbursement go out without the needed approval as set by the policy enshrined in Village Code, but that additional procedures are necessary, such as signature approval of two Trustees before it goes to the Board or of having over 90% of all non-utility checks be approved by the entire Village Board before money leaves the Village (the practice had been estimated at 20% prior approval). To that end, the Finance Department internally has been working on the past year on improving its accounts payable procedures and has implemented most of them already. Details have been provided to the Finance Committee and Village Board periodically throughout the past year.

4. Information Technology System and Security

The Village takes an aggressive very pro-active attitude in dealing with IT security concerns.

a. Removing Unnecessary User Rights

The Village's ERP system, which contains building, accounting, finance, water billing, and cash receipts (i.e. cash register) modules, will disable any user automatically after 30 days of non-use.

b. Assessing IT Security Weaknesses

The Village takes potential cyber-attacks very seriously and is very pro-active in addressing concerns. For instance, in the past year most websites and streaming services were removed from employees access, reducing internet traffic by 99% and reducing a threat of back-door attack.

In December, 2015 the Village invited the U.S. Department of Homeland Security to attack the Village's systems externally over three days. They gained absolutely no access and no servers or data were compromised.