



CliftonLarsonAllen

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, 2016, 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 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.

Significant deficiency

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. The following significant deficiencies were also identified in a prior period; remedial action has not yet been taken.

Cash authorizations and bank reconciliation process

For periods during year ended April 30, 2016, the Village accountant had the ability to initiate and execute wire transfers from the Village's bank accounts without any second review or approval. While there are compensating controls during the initial wire authorization setup, this could allow incorrect or inappropriate fund transfers to be made from the Village's accounts. This same individual also prepares the bank reconciliations and is a signor on the respective accounts. For the bank reconciliation process, we noted that no documented review was performed of the Village accountant's cash reconciliations, transfers, and general journal entries. 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 matter.

We recommend that management develop procedures whereby a documented review is performed and maintained on file.

Management's Response

The Village currently has no wires that are not to other Village accounts. Additionally, it is not possible to set up new external wire locations without dual signatures. More specifically:

- Paper Initiated Wires: For wires initiated via letter or form, the Village requires dual signatures on such wires. Not only are there dual signatures on these documents, these are usually confirmed by the bank calling the Village Treasurer or Mayor and asking questions that both confirm the wire and the identity of the person answering the phone as well.
- Electronically Initiated Wires: Electronic wires only go either to Village bank accounts or Village bond payment accounts at Village paying agents. Additionally, it would not be possible to set up an external wire this way as new electronic wires require dual signatures to be set up.

Management agrees that there should be a document review of the bank reconciliation process, but that has been difficult due to staffing levels. Management has indicated that bank accounts are now reconciled within a week of obtaining the bank statements.

Due to the aforementioned processes now in place, management believes the Village has properly addressed the comment above.

Audit adjustments

The Village has historically engaged CliftonLarsonAllen LLP (CLA) to propose certain audit 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. This condition, however, increases the possibility that the financial statements may be misstated and management may be basing decision on inaccurate or incomplete information on an internal basis. 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 audit entries serves as the Village's control over the financial reporting process.

Management's Response

Management agrees and should the Village Board of Trustees decide to change staffing levels, the current practice can be reexamined.

None of the identified significant deficiencies are considered to be material weaknesses.

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.

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 continue to assess its information technology security for weaknesses and potential outsider access points.

Management's Response

Management agrees that there should be "a written policies and procedures manual related to the system." Given the current staffing and priorities, this may take a while.

However, while not written in a policies and procedures manual, both user rights and assessing IT security is handled properly and was written don as a response to the prior year's management letter. As it still applies, it is being quoted below:

- 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.
- Addressing 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 Villages systems externally over three days. They gained absolutely no access and no servers or data were compromised

Fixed asset review

Based on procedures performed during our audit, we noted that there has not been an extensive review by management of the fixed asset listing for several years. We recommend that the Village review the fixed asset detail to ensure it reflects the most accurate representation of the assets currently in use.

Management's Response

Management agrees. Due to staffing issues, management is having difficulty getting to this, but it is high on the agenda. As part of this process, management would like to reexamine capitalization thresholds as well.

Management's Response

Management's response to the material weakness and significant deficiency, and other deficiencies in internal controls and other matters identified in our audit was not subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.



CliftonLarsonAllen LLP

Oak Brook, Illinois
January 24, 2017