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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, 2018, 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 deficiency in the Village's internal control to be a significant deficiency. The following significant deficiency was also identified in a prior period; remedial action has not yet been taken.

Audit adjustments and monthly reconciliations

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 decisions 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.

The identified significant deficiency is not 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.

Bank reconciliation formal review

Based on procedures performed during our audit, we noted that bank reconciliations are prepared and reviewed on a monthly basis. However, there is not a formalized sign off process to document and support that management performed the control. This condition increases the likelihood that the control is not performed for a particular month or account. We recommend management implement a control sheet to document the performance of the monthly bank reconciliation reviews. This sheet should be signed or initialed monthly by the person responsible for reviewing the bank reconciliations.

Management's Response

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

Fiduciary funds

Management reconciles and records the monthly activity for the fire and police pension funds. All activity is tracked in Excel spreadsheets. At the end of the year, the activity is booked into the accounting system. Recording the activity into the system only at year-end increases the likelihood of errors and loss of data. We recommend that management record the pension activity into the accounting system on a monthly basis.

Management's Response

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

Property and equipment additions and deletions

The Village utilizes an outsourced third party to track its depreciation, additions, and deletions for property and equipment. The third party, in turn, relies on management to provide accurate information on additions and deletions. The accounting function relies on department heads and review of details to verify additions and deletions are complete. During our audit procedures, we noted certain equipment additions which were not communicated to the third party and subsequently needed to be added to the third party's records. The current process increases the likelihood that additions or deletions are not complete. We recommend management institute a thorough review process among all departments on a monthly basis to ensure the accuracy of additions and deletions to property and equipment.

Management's Response

It had been many years since a physical inventory of PP&E had been performed in the Village. One was done in conjunction with the FY17 audit, which provided, in many cases, a rather large change in current assets. In some cases these changes occurred because management raised both the level of tracking and capitalization threshold to \$10,000 from \$5,000. Starting in 2012 all Village Departments except one have had a change at the top. It is possible that the importance of letting the Finance Department know of any changes in capital items was not conveyed properly to all new department heads. Therefore, management acknowledges that not all capital additions and deletions had been conveyed to the Finance Department for tracking over the years.

Management has taken three steps to remedy this issue:

1. Management used the new physical inventory as an opportunity to have multiple discussions with department heads about the need to let Finance know about all capital asset additions and deletions.
2. As mentioned above, management raised the capitalization threshold and tracking levels, which shall reduce the number of transactions needed.
3. Management acknowledges that the Village has few formal financial policies adopted by the Village Board. Management wants to rectify this lack of formal financial policies by going through a formal process, starting with Finance Committee discussions, to create ones approved by the Village Board. A capitalization policy, which would include when physical reviews need to occur, would be one of those policies. More frequent physical reviews would keep the capitalized asset list more current.

General journal entry formal review

As a result of audit procedures performed, we noted that journal entries selected for testing were indirectly reviewed by management. However, a formalized process is not in place, which increases the chance that an incorrect journal entry is posted. We recommend that the Finance Director on a monthly basis run a report of general journal entries and initial either the report or individual entries to document this review.

Management's Response

Management agrees and has discussed this issue multiple times with the Village Board of Trustees during discussions on Finance Department staffing levels, both during annual budgeting and at other times. Should the Village Board of Trustees decide to change staffing levels, the current practice can be reexamined.

Amounts due to Cook County

As communicated in prior periods, we noted that the Village contracted with Cook County on road work, where the Village's portion of approximately \$1,500,000 was covered by the County; however, it was to be repaid by the Village. The amount due is recorded as a liability in the Village's financial statements. To date, management has indicated that the Village has not received notification of request for repayment. We recommend that management investigate this balance and confirm if this agrees with the County's records.

Management's Response

The Village will investigate, although this will be difficult for the following reasons:

It is unknown whether there was a contract with Cook County or even if the work associated with this liability was completed.

Any underlying work done by Cook County, if any, predates the employment of all members of the Finance Department, the election of all Village Board, the assignment of the current Village engineer, and the promotion of both the Superintendent of Streets and the Water Commissioner. It also predates the current destruction of documents window set it State of Illinois statute.

Finally, the Village has not been presented with any bill in the three years that the Finance Director has been at the Village.

Finance Department

During our audit procedures and inquiries of management, we noted the current staffing levels of the Village's Finance Department do not allow for the optimal functioning of the department. As noted in the deficiencies above, more robust staffing levels could ultimately lead to more timely and accurate reporting, which could in turn be utilized by management and the board of trustees to assist in making informed financial decisions. We recommend management and the board of trustees evaluate its expectations of the Finance Department and verify the expectations are properly supported. Additionally, continuing education for staff is increasingly important in the evolving local government environment.

Management's Response

Management's response to the 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
December 18, 2018