



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, 2019, 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 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. In addition, we noted the following issues:

*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.

***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*

A physical inventory of PP&E was performed in the Village in FY2017. It 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.

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. Management raised the capitalization threshold and tracking levels. Additions over \$10,000 are brought to the Board of Trustee for approval. The Finance Department tracks additions through this method. Village Department Managers fill out Property Control Sheets for any deletions and forward to the Finance Department.
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 would be one of those policies.

***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. Staffing levels have been increased in October 2019 so this practice can be reexamined.

***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 agrees and has discussed this issue multiple times with the Village Board of Trustees. Staffing levels have been increased in October 2019 so this practice can be reexamined.

***Voided Check Documentation***

Throughout performing our audit procedures and inquiries of management, we noted the Village does not consistently document and retain voided check support. Voided checks not properly documented over and retained could lead to misappropriation of assets through the issuance of fraudulent checks. We recommend management to implement a procedure to document over and retain all voided checks, whether they are issued incorrectly or printed in error.

***Management's Response***

The Village does retain all voided checks and support that is in our possession or available. Certain times checks are destroyed or lost, which is beyond our control. In the past, checks that have been misprinted by the Finance Department have been destroyed. The Village will rectify the situation in the future by retaining these misprinted checks.

***Vendor Database Management***

The Village uses a vendor database maintained within H.T.E., during our audit procedures, we noted that the database is not properly updated for stale and duplicate vendors. A vendor database with stale and duplicate vendors could lead to erroneous transactions and misappropriation of assets. We recommend that management implements a procedure to properly update the vendor database periodically.

***Management's Response***

The current H.T.E. System used does not allow deletions of any vendors once the vendor has been used. Duplicate Vendors can be merged, stale vendors cannot be deleted. In the future, the Finance Department will review vendors on a quarterly basis to see if there are duplicate vendors.

***Water Consumption Preparation and Review***

Based on procedures performed during our audit, we noted that the Palos Heights and Crestwood water consumption reconciliation included clerical errors and the Bond Payments portion was not properly rolled forward from the prior year. Errors in a reconciliation that contains data that is rolled forward each year could cause misstatement in future year balances. We recommend that the Village implement a control to properly prepare and review reconciliations that are prepared.

***Management's Response***

The Palos Heights and Crestwood Water Consumption Reconciliation was a new internal document created by the Water Commissioner this year. In the future, he will submit to the Finance Department for review annually.

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*

**CliftonLarsonAllen LLP**

Oak Brook, Illinois  
October 25, 2019