

VILLAGE OF OAK PARK, ILLINOIS

SINGLE AUDIT REPORT

For the Year Ended  
December 31, 2011

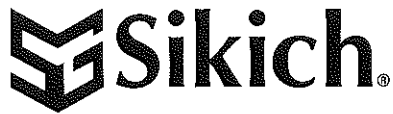


Certified Public Accountants & Advisors

VILLAGE OF OAK PARK, ILLINOIS  
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1415 W. Diehl Road, Suite 400 • Naperville, IL 60563

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER  
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS  
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED  
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

The Honorable Village President  
Members of the Board of Trustees  
Village of Oak Park, Illinois

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Village of Oak Park, Illinois, as of and for the year ended December 31, 2011, which collectively comprise the Village of Oak Park, Illinois' basic financial statements and have issued our report thereon dated June 18, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Oak Park, Illinois' internal control over financial reporting as a basis for designing our auditing procedures 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 Village of Oak Park, Illinois' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Oak Park, Illinois' internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies 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, material weaknesses 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 Village's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as finding 11-01 to be a material weakness.

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.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Village of Oak Park, Illinois' basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Village of Oak Park, Illinois in a separate letter dated June 18, 2012.

The Village of Oak Park, Illinois' written responses to the findings identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on thereon.

This report is intended solely for the information and use of the Board of Trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Naperville, Illinois  
June 18, 2012

A handwritten signature in black ink, appearing to read "Sikich LLP".



1415 W. Diehl Road, Suite 400 • Naperville, IL 60563

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL  
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

The Honorable Village President  
Members of the Board of Trustees  
Village of Oak Park, Illinois

Compliance

We have audited the compliance of the Village of Oak Park, Illinois' with the types of compliance requirements described in the *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. The Village of Oak Park, Illinois' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Village of Oak Park, Illinois' management. Our responsibility is to express an opinion on the Village of Oak Park, Illinois' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Village of Oak Park, Illinois' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the Village of Oak Park, Illinois' compliance with those requirements.

In our opinion, the Village of Oak Park, Illinois' complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011.

## Internal Control Over Compliance

The management of the Village of Oak Park, Illinois is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Village of Oak Park, Illinois' internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Village of Oak Park, Illinois' internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

The Village of Oak Park, Illinois' corrective action plans to findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Village of Oak Park, Illinois' responses and, accordingly, we express no opinion on the responses.

## Schedule of Expenditures of Federal Awards

We have audited the financial statements governmental activities, the business-type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the Village of Oak Park, Illinois, as of and for the year ended December 31, 2011, and have issued our report thereon dated June 18, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements of the Village of Oak Park, Illinois, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements of the Village of Oak Park, Illinois. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

This report is intended solely for the information of the Board of Trustees, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, appearing to read "Sibich UP". The signature is written in a cursive style with a large, looped "P" at the end.

Naperville, Illinois  
June 28, 2012

VILLAGE OF OAK PARK, ILLINOIS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended December 31, 2011

Federal Grantor	Pass-Through Grantor	Program Title	Federal CFDA Number	Program/Grant Number	Revenues	Expenditures
Department of Housing and Urban Development	N/A	Community Development Block Grant	14.218	B10-MC-17-0017	\$ 391,013	\$ 391,013
	N/A	Community Development Block Grant	14.218	B11-MC-17-0017	1,190,453	1,190,453
	N/A	Community Development Block Grant Recovery (ARRA)	14.253	B-09-MY-17-0017	11,621	11,621
				Total CDBG Cluster	1,593,087	1,593,087
Department of Housing and Urban Development	N/A	Homelessness Prevention Rapid Re-housing	14.257	S-09-MY-17-0013	212,815	212,815
	N/A	Emergency Shelter Grant	14.231	S10-MC17-0013	5,464	5,464
Department of Housing and Urban Development	N/A	Emergency Shelter Grant	14.231	S11-MC17-0013	82,037	82,037
				Total S-09-MC17-0013	87,501	87,501
Department of Justice	N/A	Equitable Sharing of Federally Forfeited Funds	16.000	N/A	97,681	97,681
Department of Justice	N/A	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2008-DJ-BX-1059	13,402	13,402
			16.738	2009-SB-B9-0835	15,280	15,280
			16.738	2010-DJ-BX-0309	17,099	17,099
				Total DOJ cluster 16.738	45,781	45,781



VILLAGE OF OAK PARK, ILLINOIS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended December 31, 2011

Federal Grantor	Pass-Through Grantor	Program Title	Federal CFDA Number	Program/Grant Number	Revenues	Expenditures
Department of Transportation	Illinois Department of Transportation	Occupant Protection Enforcement	20.600	AL2-4295-037	\$ 6,559	\$ 6,559
		Impaired Driver Enforcement	20.601	AL2-4295-037	7,424	7,424
Department of Energy	Illinois Department of Commerce and Economic Opportunity	ARRA -- Community Renewable Energy Program	81.041	09-462020	319,944	319,944
Department of Energy	Chicago Metropolitan Agency for Planning	Multi-Unit Retrofit Loan Improvement Program	81.128	DE-EE0003561	10,000	10,000
Department of Health and Human Services	Illinois Department of Healthcare and Family Services	Medical Assistance Program	93.778	FCM Medicaid	42,657	42,657
Department of Health and Human Services	Illinois Department of Public Health	Cities Readiness Initiative	93.069	07181114 2718114	16,443 13,267	16,443 13,267
Department of Health and Human Services	Illinois Department of Public Health	Bioterrorism Preparedness Program	93.069	07181068-FY 11 07181068-FY 12	6,190 32,796	6,190 32,796
Department of Health and Human Services	Illinois Department of Public Health	Public Health Emergency Response	93.069	27180068 Total 93.069	15,164 83,860	15,164 83,860
Department of Health and Human Services	Illinois Public Health Association	HIV Prevention and Testing Services	93.944	1175810	13,900	13,900
Department of Health and Human Services	Illinois Department of Public Health	Centers for Disease Control and Prevention_ Investigations and Technical Assistance	93.283	Mosquito Prevention	2,586	2,586

VILLAGE OF OAK PARK, ILLINOIS  
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended December 31, 2011

Federal Grantor	Pass-Through Grantor	Program Title	Federal CFDA Number	Program/Grant Number	Revenues	Expenditures
Department of Health and Human Services	Illinois Department of Human Services	Teen Pregnancy Prevention	93.994	11GL068000 11GQ00068	\$ 10,110 6,856	\$ 10,110 6,856
Department of Health and Human Services	Illinois Department of Public Health	Family Case Management	93.994	11GN068000 11GQ01151	32,471 21,030	32,471 21,030
Public Health Institute of Metropolitan Chicago	N/A	Oral Health Program	93.994	23480132 Total 93.994	504 70,971	504 70,971
Department of Homeland Security	Federal Emergency Management Agency	ARRA - Model Communities	93.272	IU58DP00263-01	23,594	23,594
		SAFER	97.083	EMW-2009-FH-01332	109,170	109,170
<b>TOTAL FEDERAL AWARDS</b>					<b>\$ 2,727,530</b>	<b>\$ 2,727,530</b>

Notes to Schedule of Expenditures of Federal Awards

Note A The accompanying schedule of expenditures of federal awards is a summary of the activity of the Village's federal award programs presented on the modified accrual basis of accounting in accordance with generally accepted accounting principles. Accordingly, revenues are recognized when the qualifying expenditure has been incurred and expenditures have been recognized when the fund liability has been incurred.

Note B Of the federal expenditures presented in this schedule, the Village provided federal awards to subrecipients from the Community Development Block Grant in the amount of \$605,171.

Note C No non-cash assistance was provided.

Note D The amount of loans outstanding at December 31, 2011 under the Community Development Block Grant program was \$84,094 for first time homebuyers, \$1,962,460 for development acquisition loans, \$304,800 for single family rehabilitation loans and \$915,791 for other deferred payment loans.

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2011

**Section I - Summary of Auditor's Results**

**Financial Statements**

Type of auditor's report issued: *unqualified*

Internal control over financial reporting:  
Material weakness(es) identified?  yes  no  
Significant deficiency(ies) identified that are not  
considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

**Federal Awards**

Internal Control over major programs:  
Material weakness(es) identified?  yes  no  
Significant deficiency(ies) identified that are not  
considered to be material weaknesses?  yes  no

Type of auditor's report issued on compliance  
for major programs: *unqualified*

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section .510(a)?  yes  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218/14.253 81.041	Community Development Block Grant Cluster ARRA - Community Renewable Energy Program

Dollar threshold used to distinguish  
between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee?  yes  no

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2011

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**Section II - Financial Statement Findings**

**11-01 Grants Management**

*Condition:* During our review of the health and other grant sub-fund trial balances; we noted multiple grant sub-funds reported a net income/loss. We also noted that many of these sub-funds reported both grants receivable and deferred revenue, and in some cases negative revenue. In addition, one large federally funded grant was noted by us that required an adjustment of approximately \$300,000 to accrue revenue and receivable to match the expenditures incurred. This grant became a major program for the single audit of federal awards and, therefore, required additional testing subsequent to our scheduled fieldwork.

*Criteria:* The Village's grant sub-fund recording system is designed to recognized grant revenue only to the extent that eligible expenditures or allocations have been incurred. Therefore whether a grant is either advance funded or on a reimbursement basis funded, a grant sub-fund should have zero net income at all times.

*Cause:* It appeared that an inadequate review of each fund had been done prior to our testing, and the Village had not prepared the Schedule of Expenditures of Federal Awards until after fieldwork had concluded.

*Effect:* Significant adjustments to numerous funds and accounts were necessary in order to conduct our audit.

*Recommendation:* We recommend that periodic evaluations be done on each of the grant sub-funds to ensure that eligible expenditures are properly recorded and allocated and that revenue is recognized only to the extent of those expenditures. We also recommend that the Village prepare the Schedule of Expenditures of Federal Awards during the year as grants are awarded and update as needed for grant expenditures incurred so that by year end a comprehensive, accurate schedule is available.

**Section III - Federal Awards Findings and Questioned Costs**

None

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2011

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**Section IV - Prior Year Findings**

**10-01 General Oversight of Financial Records**

*Condition:* We noted when we began final fieldwork in May 2011 that numerous accounts had not yet been adjusted, including Village investments, debt, grants, capital assets, accrued payroll, and certain accounts payable and receivable accounts. These accounts required significant adjustments to be auditable. In order for the finance department, department heads, the Village board and other users of the financial statements to have accurate data on which to make comparisons and projections, the timeliness of the reconciliation of these accounts must improve.

*Criteria:* In order for the finance department, department heads, the Village board and other users of the financial statements to have accurate data on which to make comparisons and projections, the reconciliation of these accounts must be done in a timely manner. In addition, in order to comply with deadlines imposed by granting agencies and as required for the federal single audit, the adjustment of grant accounts must also be done on a timely basis.

*Cause:* Staff time was not allocated to perform the appropriate duties related to year-end financial reporting.

*Effect:* Significant adjustments to numerous accounts were necessary in order to conduct our audit.

*Recommendation:* We recommend that the Village review the organization chart of the finance department and the workloads of the staff assigned to reconcile and review these accounts to determine if changes should be made to improve the timeliness of the data.

This Single Audit Finding is repeated from the prior year and was reported in the Schedule of Findings and Questioned Costs for the year ended December 31, 2009 as Single Audit Finding 09-01.

**Corrective Action Plan**

The Village is in the process of acquiring additional staffing for the Finance Department. The new resource will correct this issue.

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2011

**Section IV - Prior Year Findings (Continued)**

**10-01 General Oversight of Financial Records (Continued)**

Status - Comment was repeated at December 31, 2010; as noted in status of the following prior year comments as well as new comments for the fiscal year ending December 31, 2010, significant improvement is still needed in this area. For fiscal 2011, we again noted substantial improvement in many areas. We continue to recommend that the Village review its overall organizational structure to determine if efficiencies can be obtained by delegating and monitoring staff progress throughout the year and by incorporating certain areas historically reviewed only at year end into the monthly closing.

**10-02 Prior Period Adjustments**

*Condition:* In 2010, it was necessary to record two prior period adjustments were recorded to correct prior year net assets/fund balances in accordance with generally accepted accounting principles. The fund balance/net assets were restated as follows:

The restatement for the General Fund corrects expenditure recognition related to the West Suburban Consolidated Dispatch Center. The restatement for the nonmajor governmental funds corrects \$186,895 of revenue recognition in the Taxable Housing Bond Fund.

	Nonmajor Governmental Funds	General Fund	Governmental Activities
FUND BALANCES/NET ASSETS, JANUARY 1 (as previously reported)	\$ 10,940,831	\$ 6,059,756	\$ 82,719,361
Restated for:			
Accounting correction to correct prior year expenditure recognition for WSCDC	-	1,094,891	1,094,891
Accounting correction for correction of revenue recognition	186,895	-	186,895
Subtotal restatements	186,895	1,094,891	1,281,786
FUND BALANCES/NET ASSETS, JANUARY 1, RESTATED	\$ 11,127,726	\$ 7,154,647	\$ 84,001,147

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2011

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**Section IV - Prior Year Findings (Continued)**

**10-02 Prior Period Adjustments (Continued)**

*Criteria:* Auditing standards (SAS 112) effective for fiscal periods ended December 31, 2006 and thereafter require that material prior period adjustments that are reported in the financial statements be considered as a material weakness.

*Cause:* The Village's internal control procedures were not sufficient to allow the Finance Department to record these adjustments in the correct period.

*Effect:* We proposed adjustments, agreed to by the Village, to adjust beginning fund balance/net assets.

*Recommendation:* We recommend the Village ensure all transactions are recorded in the proper period.

This Single Audit Finding is repeated from the prior year and was reported in the Schedule of Findings and Questioned Costs for the year ended December 31, 2009 as Single Audit Finding 09-02.

**Corrective Action Plan**

The Village will continue to review its year end close procedures in order to eliminate future prior period adjustments.

Status - Comment is implemented as of December 31, 2011.

**10-03 Cash Management**

*Condition:* Bank reconciliations for 2009 were not completed until February and March 2010.

*Criteria:* GAAP requires reconciliations be completed in a timely manner.

*Cause:* Staff time was not allocated to perform the appropriate bank reconciliation duties in a timely manner.

*Effect:* There was no financial statement effect.

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2011

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**Section IV - Prior Year Findings (Continued)**

**10-03 Cash Management (Continued)**

*Recommendation:* We recommend that the finance department develop a formal procedure to ensure that all accounts of the Village are reconciled monthly by the finance department in the month the statements are received. We also recommend that the reconciliations be formally reviewed and approved by the assistant finance director and that all old outstanding checks be voided and reissued or otherwise resolved.

This Single Audit Finding is repeated from the prior year and was reported in the Schedule of Findings and Questioned Costs for the year ended December 31, 2009 as Single Audit Finding 09-03.

**Corrective Action Plan**

Given the timing of the availability of bank statements and the complexity of all the Village's accounts, the soonest the final bank reconciliations can ever be completed would be February 1st of each year. While there are numerous reasons to perform bank reconciliations, two are highlighted here for purposes of discussion: 1) to ensure the accuracy of the General Ledger; and 2) to ensure any and all fraudulent activity is caught and rectified in a timely manner. Accounting staff has made tremendous progress in meeting deadlines throughout the year. At the moment, the Village is running about 2 weeks behind the ideal schedule but expects to close this gap in the first part of 2012.

Status - Comment is implemented as of December 31, 2011.

**10-04 Grants Management**

*Condition:* The Village is a recipient of federal awards from various sources. The Village now has a formal process for monitoring and tracking expenditure of federal grant monies on a Village-wide basis and it prepares a schedule of federal expenditures. However, this schedule did not reconcile to the Village's general ledger.

*Criteria:* In order to be properly audited and reported, the schedule of federal expenditures must reconcile to the general ledger.

*Cause:* Recipient departments monitor their own grants; however, there was not always coordination of grant reporting efforts by recipient departments with the Finance Department.



VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2011

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**Section IV - Prior Year Findings (Continued)**

**10-04 Grants Management (Continued)**

*Effect:* Adjustments were necessary to reconcile the schedule of federal expenditures to the general ledger.

*Recommendation:* We recommended that management consider incorporating a grants coordinator into its organization chart to monitor program and financial compliance with all Village grants and to assure that the Village is not subject to a loss of funding due to lack of compliance with grant requirements. This has been implemented. We also recommend that the Village prepare the schedule of federal financial assistance evidencing all of the federal programs and the amount of expenditures related to those programs and through a reconciliation process, ensure that the schedule agrees to the general ledger.

This Single Audit Finding is repeated from the prior year and was reported in the Schedule of Findings and Questioned Costs for the year ended December 31, 2009 as Single Audit Finding 09-04.

**Corrective Action Plan**

The Village is now utilizing a third party specific to CDBG reporting.

Status - Comment is repeated at December 31, 2011, and additional issues are described in 11-01.

**10-05 Year-End Financial Reporting**

*Condition:* During our audit process, it was necessary to post ninety-eight (98), eighty-five (85), one hundred thirty-one (131), eighty-one (81), ninety-three (93), and one hundred twenty-six (126), adjusting journal entries to the general ledger account balances at December 31, 2010, 2009, 2008, 2007, 2006 and 2005, respectively, in order to prepare accurate financial statements in accordance with generally accepted accounting principles.

*Criteria:* In order for the finance department, department heads, the Village board and other users of the financial statements to have accurate data on which to make comparisons and projections, the preparation of GAAP-compliant financial statements must be done in a timely manner.

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2011

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**Section IV - Prior Year Findings (Continued)**

**10-05 Year-End Financial Reporting (Continued)**

*Cause:* Staff time was not allocated to perform the appropriate duties related to year-end financial reporting.

*Effect:* Although many of these entries were provided by finance personnel, the magnitude and volume of adjustments received from finance personnel after the start of audit fieldwork and resulting from audit procedures performed negatively affected the efficiency of the audit and delayed the release of the final audit reports. While many of our clients rely on our expertise to assist them or create for them adjusting journal entries for unusual or exceptionally complicated transactions (debt refundings, transfers of capital assets from governmental funds to business-type activities, and implementing new pronouncements for example), we encourage management to make every effort to properly record the routine closing entries prior to the beginning of the audit. We anticipate that, given the complexity and volume of Village's financial activities, an auditor would expect to post twenty to thirty entries annually. The number would depend on what level of service the Village would require of the auditor.

*Recommendation:* We recommend that management review its month-end and year-end accounting procedures to incorporate all necessary adjustments required to present the accounts in accordance with generally accepted accounting principles prior to the start of the audit process. Account analyses of significant accounts should be maintained on an interim basis in order to assure the accuracy of interim financial information provided to the Board and Village management that may impact financial decisions.

This Single Audit Finding is repeated from the prior year and was reported in the Schedule of Findings and Questioned Costs for the year ended December 31, 2009 as Single Audit Finding 09-05.

**Corrective Action Plan**

The Village will perform periodic checks of the general ledger to ensure accurate reporting. The year end process will be used to identify and resolve any issues.

Status - Comment is implemented as of December 31, 2011.

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2011

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**Section IV - Prior Year Findings (Continued)**

**10-06 Payroll Controls - Material Weakness**

*Condition:* During our internal control walkthrough of payroll, it was noted that the Village was not properly following their documentation regarding employee status changes.

During our internal control walkthrough, we also noted that there is no review or authorization of payroll before checks and direct deposits are initiated. The Payroll department is initiating payroll, reviewing and authorizing electronic disbursements, and resolving and investigating any payroll inquiries or exceptions.

*Criteria:* The Village's internal control documentation states that the Human Resources department creates and approves a status change sheet, then forwards it to payroll to make the changes. The status change sheet is then supposed to be signed off on and given to the Finance department to verify the correct changes have been made. The status change sheets are then returned to Human Resources to be kept in the employee files.

*Cause:* From our walkthrough, we noted that once the status sheets reach payroll and the changes are made, the sheets stay with the Payroll department. The status sheets are not always being approved by Finance, nor are they being retained by Human Resources.

Regarding the payroll review, while there is an independent review and authorization, it does not occur until the payroll is already paid. The Finance department transfers the money into the payroll bank account in order not to overdraft and reviews the totals for the Village summary edit report and payroll check register. Finance also matches the ACH to the direct deposit register and agrees the amounts.

*Effect:* The Village is potentially vulnerable to misstatements due to error or fraud.

*Recommendation:* We recommend that Finance reviews the payroll before it is confirmed in order to check calculations and make sure the payroll appears reasonable.

This Single Audit Finding is repeated from the prior year and was reported in the Schedule of Findings and Questioned Costs for the year ended December 31, 2009 as Single Audit Finding 09-06.

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2011

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**Section IV - Prior Year Findings (Continued)**

**10-06 Payroll Controls - Material Weakness (Continued)**

**Corrective Action Plan**

A payroll review process was implemented as a result of previous management letter comments and performed the Deputy Chief Financial Officer. Now that the position is currently vacant, the Chief Financial Officer reviews the file for accuracy prior to submission to ADP for processing.

Status - Comment is repeated as of December 31, 2011.

**10-07 Contractual Revenue - Significant Deficiency**

*Condition:* There is no internal verification of ambulance fees billed, received or outstanding. Revenue from ambulance billings approximated \$822,000, \$761,000, \$736,000, \$797,000 and \$688,000 in 2010, 2009, 2008, 2007 and 2006, respectively.

*Criteria:* The fire department secretary prints a monthly report of ambulance runs, and sends it to the Finance Department. The report is then forwarded to a contractual billing service. The billing service returns a billing report to the Fire Department and remits a monthly payment and report to the Finance Department. The payment received from the billing service should be reconciled to the original run report from the Fire Department.

*Cause:* The payment received is not reconciled to the Fire Department's run report.

*Effect:* The Village is potentially vulnerable to misstatements due to error or fraud.

*Recommendation:* We recommend that the payment received be reconciled to the run report to verify appropriate reimbursement under the ambulance contract.

This Single Audit Finding is repeated from the prior year and was reported in the Schedule of Findings and Questioned Costs for the year ended December 31, 2009 as Single Audit Finding 09-07.

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2011

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**Section IV - Prior Year Findings (Continued)**

**10-07 Contractual Revenue - Significant Deficiency (Continued)**

**Corrective Action Plan**

This item has been added to the monthly work plan for accounting staff. However, the reconciliation of monthly bank statements is currently a higher priority. The Village is in process of bringing on board a Budget and Finance Manager. It is anticipated that this new position will help serve a pseudo internal audit role by reviewing these files (among other similar cases).

Status - Comment is repeated as of December 31, 2011.

**10-08 General Ledger Maintenance - Significant Deficiency**

*Condition:* During our testing of property taxes, we noted that the Village had not adjusted property tax revenue or receivable for subsequent 2009 tax levy collections in accordance with the 60-day rule. Under GASB Statement 33, revenue intended to finance a fiscal year is recorded as revenue if collected within 60 days after fiscal year end.

We further noted that the Village had not adjusted its property tax receivable and deferred property tax revenue for the 2010 levy. In addition, we noted that the property tax revenue for the Police and Fire Pension funds had not been recorded in the General Fund in accordance with Generally Accepted Accounting Principles (GAAP).

During our testing of cash, we noted that the Village is not reconciling its petty cash accounts to the general ledger. We recommend that the Village reconciles its petty cash accounts on a regular basis to ensure that cash on hand is properly reflected on the general ledger.

During our testing of investments, we noted that the Village had not recorded the yearly activity for the Kelley and Surmin annuities at December 31, 2010.

*Criteria:* Due to time constraints, it was determined by the Village that it would be more efficient for Sikich to assist in the work paper preparation and general ledger adjustments. Sikich proposed entries for items such as State tax revenues, water and sewer unbilled utility revenue and other miscellaneous revenues. Information for the adjusting entries was provided by the Village staff.

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2011

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**Section IV - Prior Year Findings (Continued)**

**10-08 General Ledger Maintenance - Significant Deficiency (Continued)**

In order for the finance department, department heads, the Village board and other users of the financial statements to have accurate data on which to make comparisons and projections, the preparation of GAAP-compliant financial statements must be done in a timely manner.

*Cause:* When the Pension fund property tax levies are collected, the collections should be recorded as both a revenue and corresponding contribution expenditure in the General Fund.

*Effect:* Adjusting entries were necessary to adjust the various affected accounts for fiscal year 2010.

*Recommendation:* We recommend that the Village monitors these accounts on a regular basis and records activity on the general ledger as it becomes available.

This Single Audit Finding is repeated from the prior year and was reported in the Schedule of Findings and Questioned Costs for the year ended December 31, 2009 as Single Audit Finding 09-08.

**Corrective Action Plan**

The Department continued to experience resource allocation issues through much of 2010. It has been difficult to maintain consistent work production from accounting staff. As a result, management began in 2011 to augment permanent staff with temporary assistance when needed to help keep current with monthly deadlines. The Village is also in the process of recruiting new staff to fill the existing Deputy Chief Financial Officer and new Budget and Finance Manager positions with people well grounded in public-sector accounting. In preparation for the fiscal year 2011 audit, the Village has engaged the audit team to identify items that need more direct attention at the beginning of the preliminary field work. This is different than in past years where the issues that required additional attention were identified during final field work.

**Status** - Comment is repeated at December 31, 2011. Although substantial improvements were made over 2010 and the Village was more prepared for the audit, several areas as noted in other portions of the document, continue to require attention.

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2011

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**FAF 10-01 Homelessness Prevention Rapid Re-housing Grant – CFDA#14.257 – Grant Number S-09-MY-17-0013**

*Condition:* During our compliance testing of the Homelessness Prevention Rapid Re-housing Grant, we noted that the expenditures for administrative costs paid to a subrecipient were not segregated from other non-administrative costs.

*Criteria:* The terms of the grant require that no more than 5% of the grant may be spent on administrative expenditures.

*Cause:* The Village did not separately track expenditures for administrative activities performed by a subrecipient.

*Effect:* The total administrative costs for the program are not determinable.

*Recommendation:* We recommend that the Village retroactively break out the administrative costs from the start of the grant (July 2009) and track these separately to show the actual administrative costs and that the 5% earmarking test has been met.

Status - Comment implemented as of December 31, 2011.