VILLAGE OF OAK PARK, ILLINOIS

MANAGEMENT LETTER

December 31, 2016

Sikich.

Sikich®

630.566.8400 // www.sikich.com

1415 W. Diehl Road, Suite 400
Naperville, Illinois 60563

Certified Public Accountants & Advisors
Members of American Institute of Certified Public Accountants

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

In planning and performing our audit of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Village of Oak Park, Illinois (the Village) as of and for the year ended December 31, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the Village'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 Village's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village'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. However, as discussed below, we have identified certain deficiencies in internal control that we consider to be material weaknesses 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 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. 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.

The Village's written response to the material weaknesses and other comments identified in our audit has not been subjected to the audit procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

This communication is intended solely for the information and use of the President, Village Board and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Sikich LLP

Naperville, Illinois
June 13, 2017

MATERIAL WEAKNESS

Management review of Enterprise Revenue

During our testing of utility billing revenue it was noted that there were material errors noted with the creation and posting of journal entries. Based on our understanding of the journal entry process, it is apparent that there is not appropriate review of utility billing entries and the related reconciliations. Furthermore, the Village could not provide a billed receivables report by service (water, sewer, refuse) as of December 31, 2016 and based on the reports that the Village provided, its water overpayment account's balance was significantly overstated that led to an adjusting journal entry proposed by us and agreed to by the Village. Lastly, the Village could not provide credit card statements or support that agreed to the monthly credit card amounts reflected on its Parking Revenue Summary, which tied-out to the general ledger. It is recommended that the Village's procedures and process include a method of reconciling amounts collected to the general ledger on a monthly basis.

Management Response

The Village concurs that there were variances between certain detailed accounts receivable (A/R) aging reports and the beginning A/R balances reflected in the general ledger. It is believed that such variances may possibly be the result of the transition from PeopleSoft to BS&A and additional investigation needs to be conducted on this matter.

Monthly parking credit card statements are received and available from the Village's merchant processor. Due to the way credit card transactions are processed and deposited into the Village's account in batches rather than by individual customer transactions, it is not possible to easily identify on the surface or confirm that a single transaction or even batch of transactions is part of a larger deposit. However, at a larger level, the Village did reconcile all bank accounts to the auditors' satisfaction, thereby providing assurance that all credit card transactions were both credited to the Village's general ledger and the appropriate bank accounts.

SIGNIFICANT DEFICIENCY

Collateral of Cash

During cash testing, Sikich noted the Village was not monitoring collateral held by third parties. At year end, there was $144,698 of uncollateralized cash. We recommend that the Village closely monitor how deposits are collateralized and ensure that all deposits over $250,000 (FDIC insured amount) are collateralized by securities held by a third party custodian in the name of the Village.

Management Response

The Village concurs with this comment. For this particular account used to deposit parking meter coins, collateralizing the account is not available through the bank. Therefore, transfers out of the account into a collateralized Village account at a different bank are periodically made so that the balance is always below $250,000. Bank notification has subsequently been set up so that the Village is informed whenever the account balance comes close to exceeding the $250,000 FDIC threshold and a transfer out is then processed.

OTHER COMMENTS

Future Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued a number of pronouncements that will impact the Village in the future.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses reporting by OPEB plans that administer benefits on behalf of governments and replaces GASB Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. Statement No. 74 addresses the financial reports of defined benefit OPEB plans that are administered through trusts that meet specified criteria. The statement builds upon the existing framework for financial reports of defined benefit OPEB plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. Statement No. 74 enhances note disclosures and RSI for both defined benefit and defined contribution OPEB plans.

Statement No. 74 also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The provisions in Statement No. 74 are effective for OPEB plan or sponsoring employer financial statements for the fiscal year ending December 31, 2017.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses reporting by governments that provide OPEB to their employees and for governments that finance OPEB for employees of other governments and replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as they relate to governments that provide benefits through OPEB plans administered as trusts or similar arrangements that meet certain criteria. Statement No. 75 requires governments providing defined benefit OPEB to recognize their long-term obligation for OPEB as a liability for the first time, and to more comprehensively and comparably measure the annual costs of OPEB benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The provisions in Statement No.75 are effective for the fiscal year ending December 31, 2018.

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The requirements of this statement are effective for the fiscal year ending December 31, 2017.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides recognition and measurement guidance for situations in which a government is a beneficiary of a split-interest agreement. The requirements of this statement are effective for the fiscal year ending December 31, 2017.

OTHER COMMENTS (Continued)

Future Accounting Pronouncements (Continued)

GASB Statement No. 82, *Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*, addresses issues regarding (1) the presentation of payroll-related measures in the required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements. The requirements of this statement are effective for the fiscal year ending December 31, 2017.

GASB Statement No. 83, *Certain Asset Retirement Obligations [ARO's]*, enhances comparability of financial statements among governments by establishing uniform criteria for governments to recognize and measure certain AROs, including obligations that may not have been previously reported. The Statement will also enhance the decision-usefulness of the information provided to financial statement users by requiring disclosures related to those AROs. The requirements of this statement are effective for the fiscal year ending December 31, 2019.

GASB Statement No. 84, *Fiduciary Activities*, will enhance consistency and comparability by (1) establishing specific criteria for identifying activities that should be reported as fiduciary activities and (2) clarifying whether and how business-type activities should report their fiduciary activities. The requirements of this statement are effective for the fiscal year ending December 31, 2019.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB Statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The requirements of this statement are effective for the fiscal year ending December 31, 2018.

We will advise the Village of any progress made by GASB in developing this and other future pronouncements that may have an impact on the financial position and changes in financial position of the Village.

APPENDIX A
STATUS OF PRIOR YEAR COMMENTS

MATERIAL WEAKNESSES

1. Fixed Asset Tracking

During fixed asset testing, it was noted that duplicate payments were incorrectly added to the fixed asset schedule, repairs and maintenance projects were improperly capitalized and prior year additions were improperly included as additions in the current year. Sikich recommends the Village review fixed asset schedules and reconcile them to expenditure accounts and current listings of vehicles and other assets. Additionally the finance department should work closely with other departments to ensure understanding, accuracy and completeness of capital asset activity. This will help identify any errors in the fixed asset schedules.

Management Response

Management concurs that some adjustments were required to the fixed asset schedule although it should be noted that there may be instances where a certain degree of subjectivity is required regarding the capitalization of some costs pertaining to infrastructure maintenance versus improvements.

Status - This comment was implemented for the current year.

2. Unrecorded Liabilities

While performing our audit procedures, we noted invoices improperly excluded and improperly included in accounts payable. During the year end closing process, finance personnel should review invoices at the balance sheet date and subsequent payments after that date to ensure the completeness and accuracy of accounts payable at the balance sheet date. This will ensure that all material expenses and the related liabilities are recorded properly in the Village’s financial statements as of the balance-sheet date.

Management Response

Management concurs that there have been some instances regarding year-end invoices where they were either improperly included or excluded from December 31, 2015 account payable. Due to some inherent restrictions with PeopleSoft, the recordation of accounts payable is largely a manual process and staff makes every effort to determine the accuracy of posting all year-end transactions in the appropriate year.

Status - This comment was implemented for the current year.

SIGNIFICANT DEFICIENCY

1. Grant Trial Balance Maintenance

During our preliminary and final fieldwork testing, we noted that many of the grant funds, including the Community Development Block Grant Fund, reflect net income or losses. Because the Village only allocates grant expenditures in the amount of the expected reimbursements from the grants, no profit or loss should be reflected in these funds at year end. Instead, the grant revenue and related receivable or deferral, or grant expenditures and related payables should be adjusted to reflect only what will be ultimately eligible for grant reimbursements. We recommend that finance department staff work closely with those individuals responsible for grant administration at least quarterly, but especially during the year end closing process, to ensure accuracy in the recording of grant revenues and expenditures. Because many of the grants are funded by the federal government and therefore reflected in the single audit report, additional scrutiny must be applied to the accounting of these grants.

Management Response

Management concurs that there were several grants which required adjustments in order to zero out any profit or loss shown by individual grant account or program. It is the intent of management to improve the process of its grant accounting for subsequent audits.

Status - This comment was implemented for the current year.