

VILLAGE OF OAK PARK, ILLINOIS

SINGLE AUDIT REPORT

For the Year Ended
December 31, 2010



Certified Public Accountants & Advisors

VILLAGE OF OAK PARK, ILLINOIS
TABLE OF CONTENTS

	<u>Page(s)</u>
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-4
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	5-7
Schedule of Expenditures of Federal Awards	8-10
Schedule of Findings and Questioned Costs	11-31



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

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, 2010, which collectively comprise the Village of Oak Park, Illinois' basic financial statements and have issued our report thereon dated October 10, 2011. 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. 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, noncompliance with a type of compliance requirement of a federal program 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 findings 10-01 through 10-06 to be material weaknesses.

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 deficiencies described in the accompanying schedule of findings and questioned costs as finding 10-07 through 10-08 to be significant deficiencies in internal control over financial reporting.

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 October 10, 2011.

The Village's 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.



Aurora, Illinois
October 10, 2011



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

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 *U. S. 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, 2010. 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 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, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as FAF 10-01.

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 in order 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 or significant deficiencies, as defined above.

The Village of Oak Park, Illinois' responses 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 basic financial statements of the Village of Oak Park, Illinois, as of and for the year ended December 31, 2010, and have issued our report thereon dated July xx, 2011. Our audit was performed for the purpose of forming an opinion 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken 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 "Deborah UP". The signature is written in a cursive style with a large, stylized "U" and "P" at the end.

Aurora, Illinois
October 10, 2011

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

For the Year Ended December 31, 2010

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	B09-MC-17-0017	\$ 231,213	\$ 231,213
	N/A	Community Development Block Grant	14.218	B10-MC-17-0017	1,564,081	1,564,081
	N/A	Community Development Block Grant Recovery (ARRA)	14.253	B-09-MY-17-0017 Total CDBG Cluster	140,302	140,302
Department of Housing and Urban Development	N/A	Homelessness Prevention Rapid Re-housing	14.257	S-09-MY-17-0013	425,953	425,953
Department of Housing and Urban Development	N/A	Emergency Shelter Grant	14.231	S09-MC17-0013	10,504	10,504
	N/A	Emergency Shelter Grant	14.231	S10-MC17-0013	69,427	69,427
					<u>79,931</u>	<u>79,931</u>
Department of Justice	Office of the Judicial Advisory Council – Cook County	Local Law Enforcement Block Grant – BADGE	16.592	N/A	14,826	14,826
Department of Justice	Illinois Criminal Justice Authority	Juvenile Accountability Incentive Block Grant	16.523	505316	1,579	1,579
Department of Justice	N/A	Equitable Sharing of Federally Forfeited Funds	16.000	N/A	53,060	53,060
Department of Justice	N/A	Edward Byrne Memorial Justice Assistance Grant Program	16.738	2007-DJ-BX-1059	39,585	39,585

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)

For the Year Ended December 31, 2010

Federal Grantor	Pass-Through Grantor	Program Title	Federal CFDA Number	Program/Grant Number	Revenues	Expenditures
Department of Health and Human Services	Illinois Department of Public Health	Cities Readiness Initiative	93.069	07181114- FY 10 07181114- FY 11	\$ 26,985 16,475	\$ 26,985 16,475
Department of Health and Human Services	Illinois Department of Public Health	Bioterrorism Preparedness Program	93.069	07181068	48,011	48,011
Department of Health and Human Services	Illinois Department of Public Health	PHER Phase III	93.069	07181285	40,626	40,626
Department of Health and Human Services	Illinois Department of Public Health	Public Health Emergency Response	93.069	07181190	34,149	34,149
					166,246	166,246
Department of Health and Human Services	National Assn. of County and City Health Officials	Community Environmental Health Education Project -- Needs Assessment/Implementation	93.008	N/A	1,318	1,318
Department of Health and Human Services	Illinois Public Health Association	HIV Prevention and Testing Services	93.944	1075811	16,000	16,000
Department of Health and Human Services	Illinois Department of Human Services	ARRA Immunization Services	93.712	N/A	17,500	17,500
Department of Health and Human Services	Illinois Department of Human Services	Teen Pregnancy Prevention	93.994	11GL068000	1,097	1,097
Department of Health and Human Services	Illinois Department of Public Health	Oral Health Program	93.994	03480166	1,161	1,161
					2,258	2,258
TOTAL FEDERAL AWARDS					\$ 2,753,852	\$ 2,753,852

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

For the Year Ended December 31, 2010

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 \$699,080.
- Note C No non-cash assistance was provided.
- Note D The amount of loans outstanding at December 31, 2010 under the Community Development Block Grant program was \$84,094 for first time homebuyers, \$2,404,960 for development acquisition loans, \$247,314 for single family rehabilitation loans and \$1,010,533 for other deferred payment loans.

VILLAGE OF OAK PARK, ILLINOIS
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the Year Ended December 31, 2010

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	Community Development Block Grant Cluster
14.257	Homeless Prevention Rapid Re-housing

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, 2010

Section II - Financial Statement 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, 2010

Section II - Financial Statement Findings (Continued)

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

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.

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2010

Section II - Financial Statement Findings (Continued)

10-02 Prior Period Adjustments (Continued)

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.

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.

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.

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2010

Section II - Financial Statement Findings (Continued)

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.

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

Staff has considered additional full-time staff to assist in grant coordination. Currently, the Health Department maintains a part-time coordinator focusing on health, emergency preparedness and other relevant funds. The CDBG department currently employs two FTEs focused on CD and related grants. Lastly, the Police Department hired a budget coordinator in mid-2011. This position is the point of contact for all police related items.

These three departments account for the vast majority of grant funds received by the Village. Staff will continue to seek additional resources as needed.

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2010

Section II - Financial Statement Findings (Continued)

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.

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.

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2010

Section II - Financial Statement Findings (Continued)

10-05 Year-End Financial Reporting (Continued)

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.

10-06 Payroll Controls

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.

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2010

Section II - Financial Statement Findings (Continued)

10-06 Payroll Controls (Continued)

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.

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.

10-07 Contractual Revenue

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, 2010

Section II - Financial Statement Findings (Continued)

10-07 Contractual Revenue (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).

10-08 General Ledger Maintenance

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.

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, 2010

Section II - Financial Statement Findings (Continued)

10-08 General Ledger Maintenance (Continued)

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.

Section III - Federal Awards Findings and Questioned Costs

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.

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2010

Section III - Federal Awards Findings and Questioned Costs (Continued)

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

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.

Corrective Action Plan

Administrative costs are currently broken down and monitored by program staff to ensure compliance with grant requirements.

Section IV - Prior Year Findings

09-01 General Oversight of Financial Records

Condition: We noted when we began final fieldwork in May 2010 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.

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2010

Section IV - Prior Year Findings (Continued)

09-01 General Oversight of Financial Records (Continued)

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, 2008 as Single Audit Finding 08-01. This Single Audit Finding is repeated in the current year as Single Audit Finding 10-01.

Corrective Action Plan

While staff has made improvements in time for the FY 2009 review process, we continue to decrease processing time. The overall focus is to complete general ledger adjustments on a monthly basis as needed. Many adjusting items traditionally left for year-end have been incorporated in the monthly process.

Status - Comment is 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. 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 (such as capital assets) into the monthly closing process (such as identifying and recording capital asset addition and disposal records each month).

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2010

Section IV - Prior Year Findings (Continued)

09-02 Prior Period Adjustments

Condition: In 2009, 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:

	General Fund	Governmental Activities
FUND BALANCES/NET ASSETS, JANUARY 1 (as previously reported)	\$ 6,579,981	\$ 82,949,433
Restated for:		
Accounting correction to correct prior year CDBG activity	(151,609)	(151,609)
Accounting correction for prior year construction in progress recorded in error	-	(1,000,000)
Subtotal restatements	(151,609)	(1,151,609)
FUND BALANCES/NET ASSETS, JANUARY 1, RESTATED	\$ 6,428,372	\$ 81,797,824

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, 2008 as Single Audit Finding 08-02. This Single Audit Finding is repeated in the current year as Single Audit Finding 10-02.

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2010

Section IV - Prior Year Findings (Continued)

09-02 Prior Period Adjustments (Continued)

Corrective Action Plan

These particular prior period adjustments were necessary to accommodate on-going changes to the underlying assets: In the first case, a change in accounting procedures as requested by HUD; in the second, a change in the understanding of payments to Whiteco for the purchase of Holley Court Garage.

Status - Comment is repeated at December 31, 2010.

09-03 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.

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, 2008 as Single Audit Finding 08-03. This Single Audit Finding is repeated in the current year as Single Audit Finding 10-03.

Corrective Action Plan

While Staff has made improvements in time for the FY 2009 fieldwork, the department has shifted workload to and is configuring different procedures to reconcile bank statements within two weeks of receiving necessary documents from the various depository institutions.

Status - Comment is repeated at December 31, 2010.

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2010

Section IV - Prior Year Findings (Continued)

09-04 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.

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, 2008 as Single Audit Finding 08-04. This Single Audit Finding is repeated in the current year as Single Audit Finding 10-04.

Corrective Action Plan

Staff has considered additional full-time staff to assist in grant coordination. Currently, the Health Department maintains a part-time coordinator focusing on health, emergency preparedness and other relevant funds. The CDBG department currently employs two FTEs focused on CD and related grants. Lastly, the Police Department hired a budget coordinator in mid-2011. This position is the point of contact for all police related items.

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2010

Section IV - Prior Year Findings (Continued)

09-04 Grants Management (Continued)

These three departments account for the vast majority of grant funds received by the Village. Staff will continue to seek additional resources as needed.

Status - Comment is repeated at December 31, 2010.

09-05 Year-End Financial Reporting

Condition: During our audit process, it was necessary to post 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, 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.

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.

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2010

Section IV - Prior Year Findings (Continued)

09-05 Year-End Financial Reporting (Continued)

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, 2008 as Single Audit Finding 08-06. This Single Audit Finding is repeated in the current year as Single Audit Finding 10-05.

Corrective Action Plan

Staff has successfully worked to decrease the number of necessary entries. Given current workload, the objective is to reduce the number of entries to approximately fifty (50) in FY 2010 and thirty (30) in FY 2011. Based on conversations among the audit team, staff has set an annual average amount of thirty (30) entries as the target amount. This has been found to be the average across less financially complex municipalities of comparable population.

Status - Comment is repeated as there were 98 journal entries (89 Village and 9 Library) posted at December 31, 2010.

09-06 Payroll Controls

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.

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2010

Section IV - Prior Year Findings (Continued)

09-06 Payroll Controls (Continued)

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 in the current year as Single Audit Finding 10-06.

Corrective Action Plan

The Village is in the final phase of implementing ADP to replace the HR and payroll applications. The new application is being built in such a way as to define and automate all relevant business rules. Staff's expects to finish implementation by the end of 1st quarter 2012.

The CFO currently reviews the payroll data prior to final processing.

Status - Comment is repeated at December 31, 2010.

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2010

Section IV - Prior Year Findings (Continued)

09-07 Contractual Revenue

Condition: There is no internal verification of ambulance fees billed, received or outstanding. Revenue from ambulance billings approximated \$761,000, \$736,000, \$797,000 and \$688,000 in 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, 2008 as Single Audit Finding 08-09. This Single Audit Finding is repeated in the current year as Single Audit Finding 10-07.

Corrective Action Plan

Staff had previously reconciled these files using hard copy ambulance run reports. With staffing issues ever present, this process has been assigned a lower priority until files become available in an electronic format. Fire and Finance Department staff are currently coordinating to extract the information and expect to begin reconciliations by 2nd quarter 2012.

Status - Comment is repeated as of December 31, 2010.

09-08 General Ledger Maintenance

Condition: During our testing of property taxes, we noted that the Village had not adjusted property tax revenue or receivable for subsequent 2008 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.

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2010

Section IV - Prior Year Findings (Continued)

09-08 General Ledger Maintenance (Continued)

We further noted that the Village had not adjusted its property tax receivable and deferred property tax revenue for the 2009 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, 2009.

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.

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 2009.

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 in the current year as Single Audit Finding 10-08.

VILLAGE OF OAK PARK, ILLINOIS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)

For the Year Ended December 31, 2010

Section IV - Prior Year Findings (Continued)

09-08 General Ledger Maintenance (Continued)

Corrective Action Plan

As we successfully complete our monthly processes, these items will be resolved in a timely manner. Staff expects these items to be resolved in time for the FY 2011 fieldwork.

Status - Comment is repeated at December 31, 2010. When we began audit fieldwork, we noted the following items from above had not been adjusted from the prior year: property tax receivable & property tax deferred revenue, the property tax collections and corresponding contribution (expenditure) to the police and fire pension funds, and the Kelley and Surmin annuities. Sikich proposed and posted adjusting journal entries to correct these, which are reflected in the financial statements. Also, see current year comment related to petty cash.

FAF 09-01 CDBG Reporting

The Village must file the SF-272, Federal Cash Transactions Report, quarterly within 30 days of the end of the quarter. We noted that the report for the quarter ended June 30, 2009 was filed on August 5, 2009 and the report for the quarter ended September 30, 2009 was filed on December 21, 2009, thus the reports for those quarters were not filed on a timely basis.

Status - Comment is implemented at December 31, 2010.