



## VILLAGE OF OAK PARK, ILLINOIS

MANAGEMENT LETTER

December 31, 2017



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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, 2017, 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 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.

We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, as described on the following pages, we identified a deficiency in internal control. In addition, we reviewed the status of the deficiencies dated December 31, 2016. The status of these is included in Appendix A. The Village's written response to the deficiency 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 7, 2018

## **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. 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 a number of issues across a spectrum of topics including issues related to blending component units where the primary government is a business type activity that reports basic financial statements in a single column, accounting for goodwill, fair value measurement and application related to real estate held by insurance activities and measuring certain investments at cost or amortized cost, and various issues related to accounting and reporting for postemployment benefits (pensions and other postemployment benefits [OPEB]). Statement No 85 is effective for fiscal years ending December 31, 2018 and thereafter, early application is allowed and encouraged.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, is intended to improve accounting and financial reporting for in-substance defeasances of debt, prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this statement are effective for the fiscal year ending December 31, 2018. Earlier application is encouraged.

GASB Statement No. 87, *Leases*, establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset and aims to enhance comparability of financial statements among governments. This statement also requires additional notes to the financial statements related to the timing, significance, and purpose of a government's leasing arrangements. The requirements of this statement are effective for the fiscal year ending December 31, 2020. Earlier application is encouraged.

## **OTHER COMMENTS (Continued)**

### **Future Accounting Pronouncements (Continued)**

GASB Statement No 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, was issued in March 2018 and provides guidance on improving disclosures in the notes to the financial statements related to debt, including direct borrowings and direct placements of debt. This Statement defines debt for purposes of disclosure in notes to financial statements as a liability that arises from a contractual obligation to pay cash (or other assets that may be used in lieu of cash) in one or more payments to settle an amount that is fixed at the date the contractual obligation is established. This Statement requires that additional essential information related to debt be disclosed in notes to financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement is effective for fiscal years ending June 30, 2019 and thereafter.

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 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.

**Status** - Comment considered implemented for the fiscal year ended December 31, 2017.

## **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.

**Status** - Comment considered implemented for the fiscal year ended December 31, 2017.