

**VILLAGE OF LOMBARD, ILLINOIS**  

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**MANAGEMENT LETTER**

**FOR THE FISCAL YEAR ENDED  
DECEMBER 31, 2019**



June 2, 2020

The Honorable Village President  
Members of the Board of Trustees  
Village of Lombard, Illinois

In planning and performing our audit of the financial statements of the Village of Lombard (Village), Illinois, for the year ended December 31, 2019, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure.

We do not intend to imply that our audit failed to disclose commendable aspects of your system and structure. For your consideration, we herein submit our comments and suggestions which are designed to assist in effecting improvements in internal controls and procedures. Those less significant matters, if any, which arose during the course of the audit, were reviewed with management as the audit field work progressed.

The accompanying comments and recommendations are intended solely for the information and use of the Finance Committee, Board of Trustees, management, and others within the Village of Lombard, Illinois.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Village personnel. We would be pleased to discuss our comments and suggestions in further detail with you at your convenience, to perform any additional study of these matters, or to review the procedures necessary to bring about desirable changes.

We commend the finance department for the well prepared audit package and we appreciate the courtesy and assistance given to us by the entire Village staff.

*Lauterbach & Amen, LLP*  
LAUTERBACH & AMEN, LLP

## CURRENT RECOMMENDATION

### 1. BANK RECONCILIATIONS

#### Comment

During our current year-end audit procedures, we noted that the commingled bank account for the Village's trial balances did not tie to the ending reconciled balance in the bank reconciliations. Therefore, we needed to reconcile the general ledger balances in order to balance to the bank reconciliations.

#### Recommendation

Bank reconciliations should be updated subsequent to adjusting journal entries in order to ensure that bank reconciliations tie to general ledger cash balances. We recommend as a means of better control, that bank reconciliations be performed each month and any variances be investigated and adjusted immediately.

#### Management Response

Management acknowledges this comment and will work on improving the current monthly bank reconciliation process. During 2019, we have recognized that the general ledger has been consistently understated. We have spent quite a deal of time trying to understand the reasons. During 2019, we went through a learning phase and had some personnel changes along the way. The accountant we hired had a difficult time completing the monthly journal entries and cash transactions on a timely manner. Also, unreconciled differences were not addressed immediately leaving the general ledger understated to the following months. In September of 2019, we made the decision to terminate employment. During the last quarter of the year, we found entries that were either incorrect or not processed in prior months, which had been corrected immediately. We also found the deposits in transit were not correctly captured in the bank reconciliation. In October, we hired a temporary accountant to assist with journal entries and the bank reconciliation; unfortunately, this was short term as this individual took a full-time position at another municipality.

Going forward, we have made a corrective plan of action. First, we have hired a full time Accountant who is required to complete the monthly bank reconciliation within 15 days of the close of each month. The Accountant will also use a prepared checklist to ensure all cash transactions and journal entries have been posted to the general ledger in a timely manner.

Second, we will diligently investigate material unreconciled differences and make the necessary adjustments immediately.

Third and final, we have implemented a review process. Once the bank reconciliation is completed by the Accountant, the Accounting Coordinator will review for accuracy. The Assistant Director of Finance will provide a last review and signature.

## **PRIOR RECOMMENDATION**

### **1. CAPITAL ASSET APPRAISAL**

#### Comment

During our current and prior year-end audit procedures, we noted the Village is in the process of having an appraisal of capital assets performed by an outside appraisal firm. This appraisal will be used to track capital assets. The benefits of an appraisal by an outside appraisal firm include but are not limited to 1) records for insurance purposes and 2) provide records of capital assets, including real property that the Village owns for financial reporting purposes.

#### Recommendation

We recommended that the Village have an outside appraisal firm perform a physical inventory and valuation of all the Village's capital assets. A periodic inspection of the assets should also be compared to this detail listing to ensure that all assets are accounted for on a regular basis. We further recommend that all capitalizable items be budgeted and charged to capital outlay accounts and that these accounts are reconciled each year to the total additions to capital assets.

#### Management Response

Management feels the cost of a capital asset appraisal outweighs the benefits. The Village hired an outside appraisal firm in the early 2000s to perform an inventory of the Village's capital assets. Village staff ended up performing most of the work in order to get results that were used for the fixed asset valuation. The value of land is based on the purchase price. Therefore, the information prior to the last appraisal has not changed. Each year staff completes a thorough fixed asset review and adds/deletes assets off of the listing.

The major issue an outside appraiser and staff encounter is finding old documentation for the original purchase price or value of property when a parcel is merged with several other Village owned parcels often to create ponds. There is really no way to go back and determine what parcels were merged together over the past 150 years. Neither the County or the Village keeps record of this information. Therefore, the valuation in the early 2000s is as good as any data staff would be able to collect today. Since the last valuation, staff annually updates the capital asset listing to include land purchased and land sold and this information is thoroughly reviewed by our auditors.

The Village maintains a robust GIS system and can provide a detailed listing of all Village owned property for insurance/financial records. Staff is able to provide the auditors with a detailed listing of any Village owned property with the current parcel numbers. Staff can also provide the measurement of Village owned streets, sidewalks, alleys, parking lots, parking stalls. If the Village were to sell a piece of property it would not be based on the purchase price. An appraisal would be performed on the specific property being sold based on the current market value. the cost of a capital asset appraisal outweighs the benefits.

Capital items are budgeted for and charged only to capital accounts. Staff tracks all capital projects with specific project numbers. Once the project is complete, which could be over the course of several years, the project is added to capital assets if it meets the criteria specified in the Capital Asset Financial Policy.