

VILLAGE OF LOMBARD, ILLINOIS

MANAGEMENT LETTER

**FOR THE SEVEN MONTHS ENDED
DECEMBER 31, 2012**

May 9, 2013

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, Illinois, for the seven months ended December 31, 2012, 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

CURRENT RECOMMENDATIONS

1. **GASB STATEMENT NO. 61 – THE FINANCIAL REPORTING ENTITY: OMNIBUS – AN AMENDMENT OF GASB STATEMENTS NO. 14 AND NO. 34**

Comment

In November 2010, the GASB issued Statements No. 61: The Financial Reporting Entity: Omnibus – an amendment of GASB Statements No. 14 and No. 34. The objective of Statement No. 61 is to improve financial reporting for a governmental financial reporting entity. Specifically, it modifies existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity, including financial statement display and disclosure requirements. Furthermore, Statement No. 61 identifies and clarifies the criterion for discrete presentation of component units as well as the criterion for blending (reporting as a fund of the primary government). The effective date for the Village is for the December 31, 2013 fiscal year.

Recommendation

We recommend that Village review with us through the next audit process any potential related entities, joint ventures, component units, etc. to ensure proper reporting under GASB Statement No. 61.

2. **BANK RECONCILIATIONS**

Comment

One of the most important internal control features over cash receipts and disbursements is the preparation of the monthly bank reconciliation. During our review of the Village's receipts and disbursement records, it was noted that the Village does prepares monthly bank reconciliations; however, no one reviews the monthly reconciliation after is it completed and finalized.

This internal control is most effective when bank reconciliations are prepared immediately upon receipt of the monthly bank statement. The bank statement should be received unopened by an individual not responsible for writing checks or recording cash receipts and disbursement transactions. Internal control is stronger when someone not responsible for entries in the receipts and disbursements records prepares the bank reconciliation and then is reviewed by another employee, who also is not responsible for entries in the receipts and disbursements records or the reconciliation.

Recommendation

We recommend as a means of better control, that after the bank reconciliations monthly preparation, the reconciliation be reviewed by another employee who had no interaction with the transactions or preparing the bank reconciliation. Variances, if any, should be investigated and adjusted immediately.



TO: Finance Committee Members
David Hulseberg, Village Manager
Timothy Sexton, Director of Finance

FROM: Jamie Cunningham, Assistant Director of Finance
Anne M. Fairbairn, Accounting Manager

DATE: July 10, 2013

SUBJECT: Responses to the FYE 2012B Management Letter

The FYE 2012B Management Letter comments from the Village auditors Lauterbach & Amen are enclosed for your review. The staff responses to the Management Letter comments are as follows:

- 1. GASB STATEMENT NO. 61-THE FINANCIAL REPORTING ENTITY:
OMNIBUS-AN AMENDMENT OF GASB STATEMENTS NO. 13 AND NO. 34**

Management Letter Recommendation: The objective of Statement No. 61 is to improve financial reporting for a government financial reporting entity; specifically, the statement modified existing requirements for the assessment of potential component units in determining what should be included in the financial reporting entity.

Staff Response: The Village will need to implement the provisions of GASB statement No. 61 for the fiscal year ended December 31, 2013. The Finance department concurs to review with Lauterbach & Amen LLP during our next audit process.
- 2. BANK RECONCILIATIONS**

Management Letter Recommendation: One of the most important internal control features over cash receipts and disbursements is the preparation of the monthly bank reconciliations. Lauterbach & Amen LLP suggested the bank statements be opened by an individual not responsible for writing checks or recording cash receipts and disbursement transactions. Additionally the same criteria apply to the individual preparing the bank reconciliation & reviewing the bank reconciliation.

Staff Response: Currently the Village's bank reconciliation process is as follows:

- Accounting Manager opens the bank statements, reviews the statements, records interest, fees and verifies activity directly deposited into IL Funds from the state and county has been recorded.
- Accountant prepares the bank reconciliations by reviewing daily closing reports, bank and general ledger activity.
- Accountant reports variances, if any, to the Accounting Manager. Variances are then investigated by Accounting and Finance staff as needed.
- Reconciliations are available at any time on our server for Finance to review.
- Upon completion, bank statements are kept in the Accounting Manager's office; also, the Assistant Finance Director has online access to print out bank statements from IL Funds, IMET and Wheaton Bank.

The Finance department concurs with the recommendation to review bank reconciliations upon completion.

The auditors will be in attendance at the July 22nd meeting to answer any questions regarding the Combined Annual Financial Report and the management letter.

cc: Village President & Board of Trustees
All Department Heads