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Board of Village Trustees
Village of Ogden, Illinois
Ogden, Illinois

In planning and performing our audit of the financial statements of the governmental activities, business-type activities, and each major fund of the Village of Ogden, Illinois (the Village) as of and for the year ended April 30, 2018, 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 identified certain deficiencies in internal control that we consider to be material weaknesses.

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 a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the following deficiencies in the Village's internal control to be material weaknesses:



CERTIFIED PUBLIC ACCOUNTANTS and CONSULTANTS

MATERIAL WEAKNESSES

Segregation of Duties

Currently, your Village Administrative Assistant/Clerk is responsible for water and sewer billings, as well as receiving and recording payments to the billing system. In order to reduce the risk associated with this lack of segregation of duties, we recommend the Village consider implementing some or all of the following:

- The Water Operator should provide the Village Board with a monthly report of the gallons pumped and the board should review this report for unusual fluctuations or other irregularities. Further, to expand on the reporting, we suggest that the monthly report also include:
 1. A comparison of the gallons of water pumped from the wells to the gallons of water billed for the previous month and fiscal year to date. This information will give the board an idea of the amount of water wastage and provide you with the opportunity to identify unusual discrepancies.
 2. A comparison of the water billings to the amount of cash received for the most recently completed monthly cycle.
- The Village should separate the water billing and cash receipts functions, if possible. For some of our other clients with water systems, a local bank has been contracted to accept the water receipts on behalf of the Village. A report is then provided to the Village for input into the billing software, as well as for recording the bank deposits.
- On a periodic basis (monthly or quarterly) a designated Village Trustee should review an outstanding receivables report for the water and sewer billings. The Trustee should look for large receivable balances and past due accounts, especially for accounts connected to employees of the Village. For any such accounts noted, the Trustee should discuss the collection status of the accounts with the Village's Administrative Assistance/Clerk and Water Operator to ensure the Village is taking all appropriate action to collect.

Material Journal Entries

Our audit procedures identified material misstatements of financial statement amounts provided to us by management. Management was not aware of the noted misstatements prior to our identification. Subsequent to identifying these misstatements, we proposed, and management approved, adjusting journal entries (prior period adjustments), which have corrected the identified misstatements in the financial statements. However, as the Village's system of internal control did not prevent or detect and correct the misstatements we consider there to be a material weakness in the Village's internal controls over the preparation of financial statements. In order to address this material weakness, we suggest:

- The Village's management should record all journal entries necessary to report the account balances and transactions of the entity prior to providing the trial balance summarization to the auditor for use in the audit.
- If there are journal entries that management knowingly leaves for the auditor to calculate and record as part of the audit, the auditor should be made aware of these specific journal entries before the audit, and a member of management possessing the necessary accounting skills, knowledge, or experience should review the adjusting journal entries and supporting documentation and provide specific approval of the calculation and the drafted journal entry.
- We also recommend that the Village's management implement a procedure to annually identify and record all capital asset additions and disposals of the Water Fund and Sewer Fund prior to providing the trial balance summarization to the auditor for use in the audit.

OTHER ITEMS

The following items are not considered to be material weaknesses or significant deficiencies, but should be considered by the Village's management and Board of Village Trustees.

Sewer Billing Usage Measurement

According to the Village's sewer ordinance, sewer usage should be billed based on each 133.7 cubic feet (100 gallons). However, per review of the Village's water and sewer billing software, and proven via our testing of 26 water and sewer billings, the Village is billing based on 100 cubic feet. We recommend that either the billing software's measurement be adjusted to agree with the sewer ordinance, or that the sewer ordinance be amended to agree with the measurement being used. Additionally, we suggest that the Village prospectively provide credits to users that were overbilled as a result of this usage measurement issue.

Documentation of Expenditure Approval

The Village Board currently documents approval of expenditures by approval of the monthly Approval to Pay schedule prepared by the Village Administrative Assistant/Clerk, or by a specific Board vote on an expenditure item. We noted this procedure consistently followed based on our testing of expenditures, except for one emergency repair expenditure that did not appear on an Approval to Pay schedule and was not specifically approved by a Board vote. However, this item was discussed at a Board meeting during the applicable committee's monthly report. Our experience suggests that a specific indication of approval such as a Trustee's initial or signature on an invoice, or whatever document supports an expenditure, provides better documentation of active approval. We recommend that the Village Board consider assigning a Trustee (perhaps on a rotating basis) to initial the documents supporting the approved expenditures at each meeting.

Incorrect Check Numbers

We noted that the check number in the Village's general ledger did not match the actual check number of the check image on the bank statement for two of 30 expenditure transactions we tested in detail. However, date, payee, and amount information did match between the general ledger and the check image. We recommend that all components of disbursements transaction agree between the general ledger and the actual check written to provide a clear line of accounting documentation.

Payroll Check Numbers

Payroll check numbers in the general ledger are not the actual check numbers that are written; rather, the check numbers are just an ongoing sequence representing payroll checks written from the operating accounts of the General Fund, Water Fund, Sewer Fund, and Motor Fuel Tax Fund. We recommend that the Village consider utilizing a payroll checking account to consolidate the payment of payroll by the various Village funds through one checking account.

Investment Policy

Illinois Public Act 90-0688 requires that every unit of government in Illinois have a written investment policy. The Village currently does not have a written investment policy of which we are aware. We recommend that the Village adopt a written investment policy, if one does not already exist. The Illinois Municipal League has a template of an investment policy on its website, which may be useful and efficient in preparing a policy for the Village. That policy can be accessed at <http://www.iml.org/file.cfm?key=1776>.

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



Champaign, Illinois
September 24, 2018