

VILLAGE OF ROBBINS, ILLINOIS
Schedule of Compliance Findings
For the year Ended April 30, 2019

The Findings and resolutions when applicable are classified in the following categories:

(A): New Findings, (B): Prior Year audit Findings that have not been implemented

A: NEW FINDINGS

FINDING 2019-1: General Fund not Balanced

Condition:

The General Fund dis not balance to the General Ledger.

Condition:

The Village General Fund was out of balance in the amount of (\$1,667,663).

Effect:

With the system not in balance the financial statements are either overstated or understated.

Cause

The Village lacks effective accounting skills to make sure the various accounts are reconciled.

Recommendation

Village should hire an accountant with the skills to maintain the financial system.

Village Response

The Village plans the bring in an accountant to correct the general ledger problems.

FINDING 2017-1: (Repeated in 2019)

Unhallowed Transfer of Funds from Water Fund to General Fund in excess of \$182,332

Condition:

The Village routinely makes unallowed bank transfers from the Water fund to the General fund in as in the prior year. In the fiscal year ended April 30, 2018, the Village made unhallowed transfer of \$939,494 to General fund. This is money that should be used to pay down the outstanding water debt and penalties.

The Village owes the City of Chicago a cumulative amount of about \$14 million for unpaid water bill that span several years. The Village does not have payment plan in place to repay the amount owed.

Criteria

The revenue received by Water fund is restricted to specific payment of Water fund expenses. The Water and Sewage fund is an Enterprise fund and no part of General fund. Fund accounting requires these funds to be separate and maintain independent financial obligations.

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Effect:

The Village will be required to account for all Water funds received and transferred to other funds for all previous years, net of qualified expenditures. The funds should be transferred to Water fund to meet its financial obligations.

Cause

The Village lacks effective internal control in accounting for its obligations and assuring that there is a repayment plan for transfers made to other funds. Accounting functions were not performed for the fiscal year.

Recommendation

Village should determine and account for the cumulative amount of the fund transfers by year. It should also establish a repayment plan that would pay back the water fund without further delay.

Village Response

The Village discontinued the practice of transferring water related expenses to the general fund then paying water related expenses from that fund in the first quarter of 2018. The Village Council has also voted to increase water rates to cover the cost of the monthly water usage from the City of Chicago as well cover the outstanding debt over a 30 years period. We have also made timely payments of \$45,000 per month for the year beginning February 2018. The Village is currently negotiating a payment arrangement with the City of Chicago to pay off the current debt.

FINDING 2017-2: (Repeated in 2019)

Amounts of debt owed fund to Vendor not reflected on the Village financial statement

Condition:

The Village purportedly owes the cumulative amounts for two different accounts consisting \$5,686,465 and \$8,394,612.46 for a total of \$14,081,077.79 to City of Chicago. The amounts are supported by the City of Chicago billing, **(Repeated)**

Criteria:

General business practice requires that all financial obligations of organization be recorded to reflect the organization's general ledger. Also, effective internal control requires that all financial obligations be disclosed to assure that the financial statements are not misstated.

Effect

The Village's financial statement for the fiscal year was not fairly stated

Cause

The Village lacks effective internal control in accounting for its obligations and assuring that there is a repayment plan for transfers made to other funds, Accounting functions were not performed for the fiscal year.

Recommendation

The Village should establish effective internal controls over payroll and maintain proper accounting records. The Village should engage the services of a full-time competent accountant to maintain its accounting activities.

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Village Response

The Village has addressed this concern by hiring a capable Accountant.

B: PRIOR YEAR FINDINGS THAT HAVE NOT BEEN IMPLEMENTED

FINDING 2017-2: Material Unrecorded Revenue, Receivables, Expenditures and Liabilities

Condition:

Invoices and other payment agreements are not logged to the accounts payable sub-ledger in a timely manner. A long-term debt agreement between the Village and an outside water consortium from August 2012 was not recorded until April 30, 2015. (Repeated)

Recommendation:

Management should establish procedures to log all invoices and payment agreements to ensure proper and timely recording to its sub-ledgers and ledgers.

This prior year audit finding recommendation has been implemented

FINDING 2016-4:

Check Register has Missing Checks, Incorrect Clearing Dates and turbid s Voided Checks as Active

Condition:

The Village's Check Register does not include all check: written; it has incorrect clearing dates for many checks and includes some voided checks as active.

Recommendation:

Criteria:

A good business practice requires, that all accounting transactions for an entity be documented, approved and recorded in the client general ledger accounting system.

Effect

Payroll expenses was not corrected stated in the financial statements.

Cause

Accounting services were not performed for the year.

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Recommendation

The Village should establish effective internal controls over payroll and maintain proper accounting records. The Village should engage the services of a full-time competent accountant to maintain its accounting activities.

Village Response

The Village has addressed this concern by hiring a capable Accountant.

B: PRIOR YEAR FINDINGS THAT HAVE NOT BEEN IMPLEMENTED (Repeated in 2019)

FINDING 2017-2: Material Unrecorded Revenue, Receivables, Expenditures and Liabilities

Condition:

Invoices and other payment agreements are not logged to the accounts payable sub- ledger in a timely manner. A long-term debt agreement between the Village and an outside water consortium from August 2012 was not recorded until April 30, 2015.

Recommendation:

Management should establish procedures to log all invoices and payment agreements to ensure proper and timely recording to its sub-ledgers and ledgers.

This prim• year audit finding recommendation has been implemented

FINDING 2016-7: Advances from Tax Increment Financing TIF to other Village of Robbins have no documented repayment plan (Repeated in 2019)

Condition:

Funds have been advanced from the Tax Increment Finance Fund (TIF) to other Village of Robbins funds starting in fiscal year 2001, in the amount of \$2,690,707. During this time the Village has repaid \$317,517 in advanced funds to the 'CI Currently, the Village does not have a repayment plan in place to repay the remaining advanced balance of \$2,475,718

Criteria:

Tax Increment revenue received by the Village's TIP District is restricted to specific uses under the provisions of subsection (q) of Illinois Compiled Statutes 65 (ILCS) 5/11 774,4-3 of the Illinois Tax Increment Redevelopment Allocation Act (Illinois Public Act 85-1 142).

Effect:

The Village will be required to account for all Tax Increment Revenue received in the TIP Fund since inception, net of qualified expenditures since inception, at the close of the Tax increment Finance District which is scheduled to close by the end of 2017.

Cause:

The Village lacks documented repayment plan for advances from the TIF Fund in anticipation of the closing of

the TIP District

Recommendation:

The Village should immediately explore its options to raise funds to repay the funds advanced to other Village Funds from the TIF Fund and establish a repayment plan that will repay the outstanding advanced funds at the closing of the Tax Increment Financing District.

Village Response:

We concurred with the finding and the City Council is exploring credible options to repay the balance owed.

FINDING 2016-8: Approval of Customer Account Adjustments (Repeated in 2019)

Condition:

Village Accountant currently makes adjustments to accounts receivable balance without proper approval from management. This results in an incorrect balance in the financial statements,

Criteria:

All adjustments to customer accounts should require approval of an authorized Village manager.

Cause:

Lack of documented Procedures Manual that requires approval of customer account adjustments.

Effect:

Lin authorized adjustments to customer accounts subject the Village to fraud and losses.

Recommendation:

Procedures should be established to require all adjustments to customer accounts be approved by an authorized Village manager.

Village Response:

The Village personnel do *not* make adjustments to customer accounts receivable without proper approval from management. The auditor is referring to a million dollar write down to the water accounts receivable that I made. The accounts were beyond materially past due and showed no signs of immediate collectability. The auditor is wrong in that no customer account was written down. We merely wrote down the receivable in gross, never touching an individual account. Those accounts and balances are still in LOCIS waiting to be collected. Moreover, the Accountant discussed the matter with the Treasurer before making the adjustment. Including this balance as a viable receivable at year end is not in keeping with generally accepted accounting principles. We are questioning whether this finding should be eliminated.

We concurred with the finding and plan to implement the recommendation

FINDING 2016-9: Segregation of Duties (Repeated in 2019)

Condition:

In several areas of the Village operations, there is lack of segregation of duties among personnel functions. The extent to which the Village can segregate duties is limited to budgetary constraints number of personnel, skill sets, work load, and the relatively flat organizational structure of the Village. There are instances where the lack of segregation of duties is exacerbated by a lack of approval of transactions and oversight and results in the same person having responsibilities for cash collections, disbursements and hooking responsibilities to making journals and posting adjustments to customer accounts.

Criteria:

Segregation of duties refers to assigning tasks among personnel so that no one person handles initially all aspects of a transaction.

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Cause:

Shortage of staff, lack of required approval of transactions and lack of oversight

Recommendation

Procedures should be established to require segregation of duties so that no one person handles substantially all aspects of a transaction and in cases where segregation of duties is not feasible, there should be sufficient approvals and oversight to mitigate risk.

Village Response:

This is a repeat finding from the prior year. Internal controls and the segregation of duties have improved since last year. We concurred with the finding and plan to implement the recommendation.

FINDING 2016-10: Long-Term-Debt Payments are not Properly Scheduled for Payment

Condition:

The Village does not maintain a log and schedule for servicing the Village debt.

Criteria:

Debt Service should be maintained on a schedule to ensure timely payment.

cause:

The Village lacks procedures and/or a tickler system or repayment schedule for its debt service.

Effect:

The Village is subject to unnecessary late *fees* and/or additional interest charges.

Recommendation

The Village should establish procedures and a tickler system to alert staff of debt service due dates, In addition, the Village should maintain a schedule to ensure timely payment.

Village Response:

We concurred with the finding and plan to implement the recommendation.

Recommendation has been implemented

FINDING 2016-13: Fixed Assets are not Recorded in the general ledger. (Repeat Finding in 2019)

Condition:

The Village does not maintain a fixed assets ledger. Assets are not capitalized in accordance with the Village's policies. Fixed asset balances, depreciation expense and accumulated depreciation were not determinable from management's records.

Criteria:

Fixed assets should be recorded at cost and depreciated per accounting principles generally accepted in the United States of America.

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Effect:

We are unable to render an opinion on the Village's fixed assets, cumulated depreciation and Depreciation expense

Cause

The Village does not have adequate fixed assets records.

Recommendation

Prepare a fixed assets inventory to record all the Village's fixed assets. 2. Determine the cost and remaining useful life of each major asset. Review large purchases in the past 3-5 years to identify capital assets that have been expensed. 4. Record all assets in the appropriate asset class, calculate late accumulated depreciation and create a depreciation schedule for each asset. Establish written procedures for on-boarding fixed assets.

Village Response:

We concurred with the finding and plan to implement the recommendations.

FINDING 2016-14' Compliance relating auditing standards and Rural Utilities Service in accordance with United States Department of Agriculture (USDA) Bulletin 1700-0

Condition:

The Village did not adequately fund the reserve balance, required accounts to account for project funds were not set up, reporting requirements stated by Section 1780.47 (f) were not met and key documents were not retained as speculated by the Loan Agreement and "Letter of Conditions" between the USDA and the Village.

Criteria:

To comply with the requirements as stated in the Loan Agreement and the "Letter of Conditions between the USDA and the Village.

Cause:

The Village lacks key policies and procedures to ensure that all compliance requirements are met

Effect:

The Village is not in compliance with the Loan Agreement and "Letter of Conditions" betty on the USDA and the Village of Robbins, Illinois.

Recommendation:

The Village should immediately establish and implement a funding plan for its sewer System Improvement Project reserve account and develop policies and procedures to ensure that .111 reporting requirements are met in the future in a timely manner and documents and data are retained.

Village Response:

We concurred with the finding and plan to implement the recommendations.

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C: NEW 2016 FINDINGS.

FINDING 2016-: Approved Fiscal Year Budget for Expenditures by Board of Trustees was untimely

Condition:

During our review of the minutes of the Board of Trustees for Fiscal Year beginning May 1", 2015 and ended April 30, 2016, we noted that the Board did not discuss and approve the Annual Budget Ordinance until July 28, 2015; this is a time in excess of three (3) months into the Fiscal Year. It

should be noted that the December approval may be good if the Village is on calendar year starting in January, but it is unacceptable for a Fiscal Year that started three (3) months earlier.

Criteria:

The Board and the Mayor should make a conscious decision to prepare and approve the Appropriation Budget Ordinance before the start of a Fiscal Year. As a practical matter, a budget for a Fiscal Year beginning May is: should be approved no later than April 1A, of the preceding year. The approved budget should have detailed line item expenditures by account so that it could be monitored against actual expenditures by Fund.

Cause:

The Mayor and the Board of Trustees are not aware of the importance of the timing for approval of the budgetary process for expenditures.

Effect:

Municipal funds are being spent on significant expenditures not budgeted, thereby depriving the tax payers from

The benefits of which their tax dollars should be us

It is recommended that Village of Robbins:

1. Ensure that each employee, when hired, has personnel Me created.
2. Check contents of current employee's personnel files and ensure that the documents contained are at least the necessary documents required by state and/or federal law. Copies of W-4s, new hire reports, documents checklists, copies of Social Security and Driver License or State ID, employee application, reference list, appointment letter, employee verification, contractor agreements, etc. must be contained in the files,

Village Response

We concurred with the finding and plan to implement the recommendations.

Finding 2016-19: (Repeated in 2019)

The Trial Balances provided by the Accountant were not in balance. Some asset accounts have credit balance while liability accounts have debit balances. These are abnormal balances that should have been investigated, reconciled and adjusted by the Accountant on monthly basis and definitely before the books are closed for the year.

Condition:

General ledger is not maintained and therefore the individual accounts that make lip the ledgers are not reconciled to any related any sub-ledger detail to ensure that the resulting financial statements are fairly stated.

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Criteria:

To assure that financial statements properly reflect adjusted account balance and financial statements are fairly stated in conformity with generally accepted accounting standards.

Effect:

Auditor was unable to obtain the proper account balance for some account receivables and accounts payables reported in the financial statements.

Cause:

The accountant is not fully using the capabilities of the accounting software LOCIS system that the Village purchased for its accounting activities.

Recommendations:

We recommend additional training in the accounting software LOCIS system for the accounting personnel in order to have an adequate use of the accounting system that enhances the preparation of correct and reliable financial statements.

Village Response

We concurred with the finding and plan to implement the recommendation

Recommendation has not been implemented