

The Honorable Mayor
Members of the Board of Trustees
Village of Willowbrook, Illinois

In planning and performing our audit of the financial statements of governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the Village of Willowbrook, Illinois (Village) as of and for the year ended April 30, 2019, 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 our auditing procedures for the purpose of expressing our opinion 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.

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 Village's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

We observed the following matter that we consider to be a deficiency.

Control Deficiency

Entity Level Controls

Previously Reported Comments

Comments: We have considered the internal control structure, including the risk of fraud, at the Village in order to determine our audit procedures. The Village does not perform a formal fraud risk assessment and has no formal fraud prevention program. Fraud prevention requires a system of rules that minimize the likelihood of fraud occurring and at the same time maximizes the possibility of detecting any fraudulent activity. A strong fraud prevention program should incorporate the five interrelated components of internal control:

- Control environment

- Risk assessment
- Control activities
- Information and communication
- Monitoring

Recommendations: We recommend that the Village document and adopt a formal fraud prevention program. The program should document the policies, procedures and strategies related to the five components of internal control and all components should be reviewed. The control environment sets the moral tone and is the base on which all of the other aspects of internal control are built. It is necessary that top management be responsible for the internal control and fraud prevention programs of the Village.

Current Year Status: The fraud risk assessment is in the process of being addressed by the Village. **This control deficiency is repeated.**

Management's Response: The Village has a system of internal controls in place over each area of financial transactions, and has written documentation detailing those controls which we have provided to the auditors for many years. In addition, the Village has procedural memos detailing how each of its financial processes is performed. Unfortunately, due to limited staff, the Village has not been able to perform a formal fraud risk assessment and implement a formal fraud prevention program of the scope suggested by the auditors. However, the Village remains committed to creating a policy to address these issues. In July 2013, the Village, utilizing an outside consultant, began a formal technology assessment of each of its financial processes. As of April 30, 2016, the technology assessment has been completed and the Village has already implemented some new controls during the software implementation process. In addition, the Village conducted a payroll compliance review in FY 2015-16 using an outside consultant to review the Village's payroll processes and recommend any necessary changes. The Village has requested a sample fraud assessment policy to assist in developing a Village specific policy. During FY 2016-17, the Village began implementing changes to our payroll process as a result of recommendations noted in the payroll review. In addition, the Village implemented Positive Pay with our local bank for all accounts payable checks to mitigate the risk of fraud of Village checks being altered. The Village has segregation of duties with respect to wire and ACH transfers such that three separate employees each have a role in the process to strengthen the internal controls. Also, the Village instituted a new travel policy effective January 1, 2017, in accordance with state law to provide additional oversight over Village expenditures. Finally, the Village is in the process of revising certain policies in accordance with recommendations of our risk management agency. The Village is committed to improvement over our financial processes and implements continual enhancements as much as our limited level of staffing permits.

Management's written response to the deficiency identified in our audit has not been subjected to the auditing procedures applied in the audit of the financial statements, accordingly, we express no opinion on it.

OTHER MATTERS

Although not considered material weaknesses, significant deficiencies or deficiencies in internal control over financial reporting, we observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements.

Future Pronouncements

GASB Statement No. 83, *Certain Asset Retirement Obligations (GASB 83)*

GASB 83 addresses accounting and financial reporting for certain asset retirement obligations (ARO). This statement establishes criteria for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for asset retirement obligations. This statement requires that recognition occurs when the liability is both incurred and reasonably estimable, and it also requires the measurement of an ARO be based on the best estimate of the current value of outlays expected to be incurred. This statement also requires disclosure about the nature of a government's AROs, the methods and assumptions used for the estimated of the liabilities, and the estimated remaining useful life of the associated tangible capital asset.

GASB 83 is effective for financial statements for fiscal years beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 84, *Fiduciary Activities (GASB 84)*

GASB Statement No. 84, *Fiduciary Activities (GASB 84)*: GASB 84 establishes criteria for identifying fiduciary activities. It presents separate criteria for evaluating component units, pension and other postemployment benefit arrangements, and other fiduciary activities. The focus is on a government controlling the assets of the fiduciary activity and identification of the beneficiaries of those assets. Fiduciary activities are reported in one of four types of funds: pension (and other employee benefit) trust funds, investment trust funds, private-purpose trust funds or custodial funds. Custodial funds are used to report fiduciary activities that are not held in a trust. The agency fund designation will no longer be used. GASB 84 also provides guidance on fiduciary fund statements and timing of recognition of a liability to beneficiaries.

GASB 84 is effective for financial statements for fiscal years beginning after December 15, 2018. Earlier application is encouraged.

GASB Statement No. 87, *Leases (GASB 87)*

GASB 87 establishes a single approach to accounting for and reporting leases by state and local governments. The standard addresses the reporting for governments that are lessors or lessees.

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GASB 87 is effective for reporting periods beginning after December 15, 2019, with earlier application encouraged.

GASB Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements (GASB 88)

GASB 88 specifies disclosures that should be made in the financial statements related to debt. It also provides a definition of debt so that governments know which types of liabilities should be included in those disclosures. If a government has direct borrowings or direct placements, disclosures related to these should be provided separately from disclosures related to other types of debt.

GASB 88 is effective for financial statements for fiscal years beginning after June 15, 2018. Earlier application is encouraged.

GASB Statement No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period (GASB 89)

GASB 89 requires that interest costs incurred before the end of a construction period be recognized as expenses in the period in which the costs are incurred. As a result, the interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund.

GASB 89 is effective for financial statements for fiscal years beginning after December 15, 2019. Earlier application is encouraged. GASB 89 will be applied prospectively to interest incurred after the date of adoption.

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

BKD, LLP

Oakbrook Terrace, Illinois
October 22, 2019