

Communication of Internal Control Related Matters



Village of Sherman, Illinois

April 30, 2023

To the Board of Trustees and Management
Village of Sherman, Illinois

In planning and performing our audit of the basic financial statements of Village of Sherman, Illinois (the Village) as of and for the year ended April 30, 2023, 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 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. However, as discussed below, we identified a certain deficiency in internal control that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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 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 reasonable possibility exists when the likelihood of an event occurring is either reasonably possible or probable as defined as follows:

- *Reasonably possible* - The chance of the future event or events occurring is more than remote but less than likely.
- *Probable* - The future event or events are likely to occur.

We consider the following deficiency in the Village's internal control to be a material weakness:

Audit Adjustments

During our audit, we posted a variety of adjustments that had a material effect on the Village's financial statements. Without the audit adjustments, the financial statements would have been materially misstated. We recommend the Village take steps to implement processes to ensure general ledger account balances agree with supporting documentation and account reconciliations. We also recommend the Village implement procedures to verify all journal entries made are reviewed and approved by a second individual.

A significant deficiency is a deficiency, or a 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 consider the following deficiencies in internal control to be significant deficiencies:

Segregation of Duties

Duties can be categorized into four types of functions: authorization, custody, recordkeeping, and reconciliation. Ideally, no one person should handle more than one type of function. A lack of segregation of duties is common among local governments due to the small size of the staff available to perform these duties. During our audit we noted a lack of segregation of duties. We noted that one individual records cash disbursements, creates checks in the accounting system, is an authorized signer on the checking account, and also reconciles the bank statements. There is a process in place for another individual to review the bank reconciliations, however no documentation was maintained in fiscal year 2023 to provide evidence the reviews were performed. We recommend bank reconciliation reviews be documented. We also recommend the Village separate the functions of recording the cash disbursements from the signing of the checks.

Village Park Receipts

During our audit, we noted a lack of controls for tracking and deposit of event revenues during fiscal year 2023. No formal processes were in place to track and analyze entrance fees and drink ticket revenue based on the number of individuals in attendance or the number of drinks sold. Additionally, the deposit for each event was not counted by the Village prior to being taken to the bank. We recommend formal processes be established to allow for the tracking and analysis of event revenues based on the number of event attendees and the number of drink tickets sold. Additionally, we recommend that cash receipts are counted on site at the end of the event by one individual and matched to the amount of the deposit that is taken to the bank by a second individual.

This communication is intended solely for the information and use of management, 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.

Kerber, Eck & Braeckel LLP

Springfield, Illinois
October 29, 2024