

**Village of Bloomingdale,
Illinois**

Report on Internal Control

**For the Year Ended
April 30, 2011**

Wolf & Company LLP
Certified Public Accountants

October 18, 2011

The Honorable Village President
Members of the Board of Trustees
Village of Bloomingdale, Illinois

We have audited the financial statements of the Village of Bloomingdale, Illinois, as of and for the year ended April 30, 2011. In accordance with auditing standards generally accepted in the United States of America, we considered Village of Bloomingdale, Illinois' 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 would not necessarily identify all deficiencies in internal control that might be control deficiencies, significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. We noted no items which we considered to be material weaknesses.

The comments that accompany this letter summarize the control deficiencies identified during the audit and suggestions regarding those matters. This letter does not affect our report dated October 18, 2011, on the financial statements of Village of Bloomingdale, Illinois. Responses to our communication of the above matters have been prepared by management of the Village and are included in the comments that accompany this letter. Accordingly, we do not express an opinion on management's responses to our communications.

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

Wolf & Company LLP

Oakbrook Terrace, Illinois
October 18, 2011

PRIOR RECOMMENDATIONS

Segregation of Duties

Comment:

As disclosed in Note 14 to the financial statements for the year ended April 30, 2010, the Village offered a Voluntary Separation Incentive Plan to full-time employees with a minimum of one year of employment. We understand that nine employees accepted the plan and had left employment through June 2010. A number of these positions have not been subsequently filled.

The internal control environment of the Village includes a number of factors which are based on the segregation of duties concept, whereby a single employee is not in a position to initiate, approve, reconcile and record a certain financial transaction or series of transactions. Using this concept, procedures within and outside of the Finance Department are assigned that ensure that more than one person is involved in all material areas.

Recommendation:

Because of the current reductions in personnel, we recommend that areas which had involvement by any currently vacant positions be evaluated to see that the internal controls are not compromised. Management should specifically identify whether responsibilities which are currently performed by other personnel result in the segregation of duties concept to be over-ridden, and that any material transaction types are still subject to secondary review. Should the allocation of duties within current personnel not allow adequate segregation, those affected areas should be given priority in new hiring requirements.

Management's Response:

The Finance Department recognizes the concept of segregation of duties as being an integral component of the Village's comprehensive internal control environment. The need to continue to consider and adhere to this concept as responsibilities were and are reallocated among existing resources will be communicated to all departments.

Current Status:

Management has considered the implications of the segregation of duties concept and assigned personnel accordingly. This recommendation is considered to be implemented.

PRIOR RECOMMENDATIONS

Procurement Policy – Purchasing Cards

Original Comment:

Village operations require the continual and routine purchase of supplies, parts, services, etc. The Village's procedures to authorize and transact these are included in the policy manual.

Recommendation:

We recommend that the Village consider using purchasing cards. Studies show that a purchase order can take as many as 12 steps to complete and cost between \$50 and \$150 to process. For low dollar amount orders, it does not make sense to spend more on processing the order than the cost of the order itself. Using a purchasing card can reduce these costs. The card works similarly to a consumer credit card, but it has the additional advantages of allowing management to identify the employee who is authorized to use the card, limiting the merchants where the card can be used, and restricting the products that the employee is authorized to purchase.

Management's Response:

We are aware of the potential benefits of using purchasing cards and intend to research the matter in more detail.

Current Status:

We repeat our recommendation from prior years.

New Accounting Standard

Comment:

The Governmental Accounting Standards Board (GASB) issued Statement Number 54 entitled *Fund Balance Reporting and Governmental Fund Type Definitions* issued in March of 2009.

The purpose of GASB No. 54 is to enhance the usefulness of fund balance information by providing fund balance classifications that are more consistent with the government-wide statements. In addition, the Statement requires disclosures to provide information on understanding the imposed limitations on resources and how those limitations are removed. Also, the Statement clarifies existing governmental fund type definitions.

The effective date of implementation for the Village will be fiscal year 2011/2012. However, early implementation is encouraged.

Recommendation:

We recommend that the Village develop an implementation plan for the aforementioned standard.

Current Status:

We repeat the recommendation. Management is working towards the required implementation for the fiscal year 2011/2012.