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Certified Public Accountants & Advisors  
Members of American Institute of Certified Public Accountants

The Honorable Village President  
Members of the Board of Trustees  
Village of Hoffman Estates, 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 Hoffman Estates, Illinois (the Village) as of and for the year ended December 31, 2014, 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, we identified a deficiency in internal control that we consider to be a material weakness.

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.

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.

The Village's written response to the material weakness identified in our audit has not been subjected to the audit procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink that reads 'Sikich LLP'.

Naperville, Illinois  
May 27, 2015

## **MATERIAL WEAKNESS**

We consider the following comments to be a material weakness in the Village's internal controls:

### **1. Material Audit Adjustments**

During our audit and as identified below, we proposed several audit adjustments, which were reviewed and approved by management, to present fairly the Village's basic financial statements. A lack of controls over the year-end financial reporting process ordinarily is considered a significant deficiency in internal control. In addition, when the auditor identifies a material audit adjustment in the financial statements that were not initially identified by the Village, there is ordinarily a corresponding material weakness.

- The Village did not properly record debt related to the Higgins/Hassell TIF issued in prior years. A prior period adjustment was proposed to record the note payable on the government-wide financial statements.
- The Village did not properly record intergovernmental revenue related to reimbursements of expenditures. An audit adjustment was proposed to record revenue and a receivable to properly record the reimbursable portion of the project.
- The Village was not properly accounting for the terminal reserve due from IPBC. According to IPBC, only the amount available for withdrawal should be recorded by the member as a receivable. An audit adjustment was proposed to adjust the receivable balance.
- The Village has historically been recording event revenue related to the Sears Centre net of applicable event expenses. An audit adjustment was proposed to record gross revenues and gross expenses in the Village's basic financial statements.
- Additionally, Sikich noted certain other items included in our schedules of passed adjustments that management has elected not to record. Management has determined that their effects are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole.

Generally accepted auditing standards emphasizes that the external auditor cannot be part of an entity's internal control process over financial reporting. We recommend that procedures or checklist be adopted to include all procedures that management determines are needed to be performed on a monthly or year end basis to ensure general ledger accounts are properly adjusted.

### **Management Response**

These audit adjustments were reviewed with Finance Department staff. Staff understands each adjustment and the reason for it not being initially identified. The adjustment is a one-time occurrence and will not happen again.