The Village of Tinley Park

Report on Process Analysis and Assessment

October 5, 2018

BKD
CPAs & Advisors

Board of Trustees
Village of Tinley Park
16250 South Oak Park Avenue
Tinley Park, IL 60477

Thank you for the opportunity to provide consulting services to the Village of Tinley Park (the Village) in connection with the Board of Trustees' (the Board) assessment of fraud risk. The procedures we performed were agreed to by the Board and were solely to assist the Board in assessing fraud risk and identifying operational risks, efficiencies and potential improvements. Management is responsible for the effectiveness of its internal controls. This report specifically addresses identifying operational risks, efficiencies and potential improvements noted during our fraud risk assessment.

Our services were provided in accordance with the Statement of Standards for Consulting Services promulgated by the American Institute of Certified Public Accountants and, accordingly, do not constitute a rendering by BKD or its partners or staff of any legal advice, nor do they include the compilation, review or audit of financial statements. We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on the effectiveness of internal control over financial reporting. Accordingly, we do not express such an opinion. All procedures of the assessment were completed. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. Because our services were limited in nature and scope, they cannot be relied upon to discover all documents and other information or provide all analysis that may be of importance in this matter. The sufficiency of the procedures are solely the responsibility of the parties specified in the report. Consequently, we make no representation regarding the sufficiency of the procedures performed either for the purpose for which this report has been requested or for any other purpose.

This report is the property of **BKD, LLP**. This report is intended solely for the information and use of the Board and management of the Village and should not be used by any other party or for any other purpose without our prior consent. If any party intends to publish or otherwise reproduce this report and make reference to our firm name, BKD must be provided with the printer's proofs or masters for our review and approval before printing or other reproduction and provided with a copy of the final reproduced material for our approval before it is distributed.

BKD, LLP

BKD, LLP

October 5, 2018

Project Overview

We are pleased to offer this report to the Village of Tinley Park (the Village), which outlines the work we performed to assist the Board's assessment of operational risks.

This report addresses several processes and topics associated with the purchasing and accounting function of the Village. We did not perform these procedures as an in-depth assessment of all internal controls or processes. The purpose of this report is to assist Village management with creating efficiencies and potential improvements. Further, this report is an indication of the historical practice for the Village and provides new Board Trustees the opportunity to continue improving Village operations. Due to the short time the current Trustees have been in place, a correct measure of current relationships between Trustees and the processes they influence cannot be made. The period specific to our procedures was from May 1, 2014, through October 31, 2017 (the Period).

To complete this project, we interviewed 20 individuals from the various Village departments as follows:

Name	Department	Title
Michael Mangin	Board of Trustees	Village Trustee
Claudette Flowers	Fire Department	Office Coordinator
Brad Bettenhausen	Finance	Village Treasurer
Patrick Carr	Management	Assistant Village Manager
Michael Glotz	Board of Trustees	Village Trustee
Ruth Gibson	Finance	Senior Accountant
Sue Busz	Finance	Accounts Payable Clerk
Eileen Scholz	Finance	Senior Accountant
Steve Clemmer	IT	IT Lead Technician
Kelly Mulqueeny	Public Works	Superintendent of Streets
Gerry Gabriel	Public Works	Clerk
Sandra Szczepaniak	Finance	Intern
Jackie Romanow	911/Dispatch	Quality & Training Coordinator
Lenore Sullivan	Police Department	Records Clerk
Kevin Workowski	Public Works	Director
Jean Bruno	Public Works	Office Coordinator
Paula Wallrich	Public Works	Interim Community Development Director
Denise Maiolo	Human Resources	Director
Dave Niemeyer	Management	Village Manager
Hannah Lipman	HR/Admin	Intern
John Urbanski	Public Works	Assistant Director

These interviews allowed us to gain an understanding of how processes are currently designed and functioning. We also read existing policy manuals, examined supporting documentation and conducted anonymous surveys.

Though our scope centered on fraud risk assessment, during our procedures we noted some operational efficiency matters, which we have included for the Board's and management's consideration. It is our hope that the observations and suggestions in this report help provide insight into your current procedures and internal controls. We appreciate the efforts of Village Board members, management and staff throughout this project. Everyone we worked with was helpful and cooperative.

Primary Findings and Recommendations

Purchasing Process

Throughout our interviews, many individuals expressed concerns with the purchasing process for their respective departments. Employees noted instances of inefficient approval processes requiring multiple levels of approvals with items being sent back and forth from Finance to their respective departments rather than a one-time approval of a purchase order.

According to interviews with Public Works (PW) Department personnel, the department now has a Tool Crib Operator position. This employee provides centralized purchasing for office and other supplies for the PW Department.

Further, during discussions with various Village personnel, we noted a disconnect between purchasing guidelines noted in policy and those known by personnel. Several individuals stated their knowledge of the purchasing guidelines and parameters was based on information verbally passed down to them. They were not familiar with the actual language of the policy, and did not know where to locate a copy of the policy. For example, some employees believed purchase orders were required for items over $500, and up to that amount could be self-approved. Others believed this amount was $2,000. In our analysis of the purchasing policy, specifically related to section 3.0 General Policy, we noted a table exists dictating the required documentation and approvals and the dollar thresholds associated with those approval levels. This table indicates a supervisor signature requirement for purchases less than $500, but more than the $20 petty cash maximum. Based on the table, it appears no further approvals (other than supervisor) are required until the amount of the purchase exceeds $2,500. We have added the table below, excerpted from the purchasing policy.

BKD
CPAs & Advisors

Purchase $ Threshold	PettyCash	Supervisor Signature	Eden Purchase Order	PO with Supervisor or Manager approval	PO with Supervisor & Treasurer Approval	PO with Supervisor, Treasurer, & VM Approval	Require 3 or more quotes	RFP/RFQ or Bid Process
<$20	X							
<$500		X	Recommended					
$500 to $2500			X	X				
$2501 to $5000			X		X		X	
>$5000			X			X	X	
>$20,000								X

In addition, during discussions with certain personnel, it was noted purchases greater than $2,500 required three or more quotes. This comports with the table above related to the current purchasing policy. However, these employees noted this aspect of the policy is cumbersome and limiting, as most items purchased by their respective departments exceed $2,500. Although the policy requires three quotes, quite often these departments are not able to get three quotes for a specific purchase. Many vendors will not provide a quote for this small of an amount, as they deem it a "waste of time."

Recommendations

As the Village continues to grow, it should consider forming a Village-wide, centralized purchasing department with one purchasing policy that addresses concerns from each department. Heavy consideration should be given to the PW Department, as this is where the majority of spending occurs. The approval process should be completely virtual through the Eden system. The Village should also take this opportunity to centralize inventory control as well. The current opinion of some employees is that the controls over inventory and purchasing are fairly loose. For example, certain various departments can handle their own purchases, as well as the tracking of supplies. The Village continues to grow as a municipality. As such, it is approaching the size where we typically see municipalities implement a centralized inventory control and purchasing department, especially for larger projects.

In addition, the Village should ensure copies of policies are available to all employees and the location of such policies are in a known, centralized location (such as a shared network drive) and accessible by all employees. Supervisors should notify their respective personnel of the location of such core policies, as well as communicate any changes in policies.

Further, the Village should consider conducting an analysis of the impact of the threshold matrix to ensure it does not create an undue burden on the efficiency and effectiveness of the various Village departments in getting the supplies and materials they require.

Board Approval of Expenditures

The Board approves every check listed (Voucher List) on all of the Village's check runs. The Board meets bi-weekly on Tuesdays and check runs occur every Friday. In most circumstances, checks are held in the safe until approved by the Board. In limited circumstances, checks are sent out to vendors at Brad Bettenhausen's discretion for payments that must be made before the next Board meeting. Each expenditure goes through multiple layers of management approval before a check is cut. The Board's approval occurs after the checks have been cut and before payment is sent (except the limited checks sent by Mr. Bettenhausen).

Recommendations

The Village should consider creating a threshold for expenditure approval by the Board. Boards that we have worked with do not approve every single transaction for their entities. It is considered a management role to be in the details of everyday expenditures. This is a large inefficiency and sends a message of lack of trust in management. Additionally, the Board already approves the overall budgets and expenditure plans. In order to create efficiency in the disbursement cycle, the Board can approve check listings after payments are made. This provides a control in addition to the review and approval process related to the Finance Department for cash disbursements and provides disbursements in a more timely manner. Note that our recommendation should not be construed to indicate the Village is handling this process in a wrong or improper manner, but our recommendation is more directed towards creating a more efficient process.

BKD discussed this recommendation with Village management. Management would like to maintain the policy of holding checks for Board approval with certain exceptions for routine payments. We recommend, and management agrees, a policy should be set identifying expenditures allowed to be released prior to Board approval. We further recommend this process is tested on a periodic basis (every six months or as set by management) to ensure the policy is being followed.

Check Signatures/Dual Signature "Control"

Checks issued require dual signatures. General checks require the signatures of Brad Bettenhausen and Kristin Thirion. Police Pension checks require the signatures of Brad Bettenhausen and Ray Viotello, Investigator with the Police Department. General checks are printed with both signatures already on them, while Police Pension checks are printed containing only Mr. Bettenhausen's signature. Since the signatures are already printed on the checks, the "signers" do not have to view the check and respective documentation before the check is available for disbursement.

Recommendations

The Village should consider removing the signatures from both checks, as this will force the signers to actually review the checks and supporting documentation before the checks are sent out. A dual signature control fails if the signers are not required to sign the checks.

Vendor Management

Vendors currently marked as inactive were done so at the time of system conversion to Eden. There is currently no process to identify inactive vendors or remove inactive vendors. Vendor file maintenance changes are not reviewed by anyone. Of the four vendors listed as inactive in the vendor master file, we noted payments to three of these four during the Period. In fact, one of the vendors had significant activity during the Period (188 transactions totaling more than $72,000). After talking with management it was determined the payments to these vendors were made while they were still in active status. Our testing looked at the vendor master file at a certain point in time which was after these particular vendors were changed to inactive status. While it is positive payments cannot be sent to inactive vendors, we still have vendor management recommendations below.

Recommendations

Eden should be updated to mark vendors inactive after lack of activity for a certain period of time, possibly a year. Once marked inactive, a vendor would be marked active and receive payment only when approved by management. This would prevent an employee from changing the status to active by issuing a payment. Once marked inactive for a certain period of time, possibly two years, vendors should be removed from the Eden system.

Management should review all vendor maintenance changes made by the accounts payable clerk and others. As vendors are all considered "active" without consideration of actual activity, vendor information could be manipulated and checks subsequently issued for personal gain.

Updating vendor inactivity, removing inactive vendors and reviewing vendor maintenance changes will greatly reduce the fraud risks from the vendor management process. Ideally, we recommend splitting the roles of vendor maintenance and payment processing to appropriately segregate duties. In other words, the AP Manager cannot actually process payments, and the AP Clerk cannot make changes to vendors. This would require the Village to expand its Finance Department as noted in the Staffing Study.[1] Further, we recommend the Village ensure the audit logs are turned on. In a formal review process of vendor management, this will allow management the ability to monitor and address changes, especially if changed from inactive to active.

---

[1] Staffing Level Analysis of Administrative Departments – Matrix Consulting Group (Page 5)

BKD
CPAs & Advisors

Super Users

Ruth Gibson, Eileen Scholz and Brad Bettenhausen have almost unlimited capabilities in the Eden system, including Ms. Gibson and Ms. Scholz's ability to change user access rights for all Eden users and create new user accounts. This provides select users complete, unfettered access and capabilities within Eden.

Recommendations

Typically, there is a segregation of duties associated with the setup of new users and changing user access rights. In order to attain this segregation, we recommend removing the ability to change setup and user access rights from the Finance Department to an IT Department role. As is typical in most organizations, and was noted during our interviews, user access rights are role based. As such, IT personnel would not need intimate knowledge of specific applications but would be able to add or remove user access rights based on provisioning documentation provided during on- or off-boarding of an employee. As noted elsewhere in this report, the Village should consider a standardized process, including documentation, for notification related to provisioning removal of access to/from Eden. Additionally, steps should be taken to review user access rights at least annually, done by someone familiar with positions and job responsibilities requiring access to Eden. As noted in the previous section, having audit logs turned on would assist in the review process. Management indicated that a new process is being put in place to address and document new user setup and user access rights.

Segregation of Duties

A segregation of duties issue occurs if one individual has access to or is responsible for at least two of the following: custody of assets, recording of transactions and reviewing/reconciling related accounts. As previously mentioned, the Finance Department has three Eden super users, which creates segregation of duties issues. For instance, Ms. Scholz can transfer funds in the First Midwest Collections account, records G/L entries and performs the reconciliations for all bank accounts.

Recommendations

Reconciliations should not be performed by the same individual that can record G/L entries for the account and has access to funds. These roles need to be split between Finance Department employees so that one individual cannot manipulate funds, record an entry and cover up that entry by reconciling the related account.

Bank Reconciliations

During interviews with Finance staff, we noted bank reconciliations occur on a daily basis as well as a monthly basis. We obtained copies of documents purportedly reviewed for the September 26, 2017, reconciliation process, as well as those for the September 2017 monthly reconciliation. The documents we viewed agreed to the type of documents reviewed on a daily

basis, according to Finance staff interviews. We noted written procedures existed for each portion of the reconciliation process. We also noted the bank reconciliation itself is formally documented and contained a summary sheet (or reconciliation form) showing all aspects of the reconciliation process and reconciling between book and bank balances. The monthly reconciliation is completed in an Excel spreadsheet. In assessing the reconciliation documentation, we were not able to determine who had performed the reconciliation, or parts of the reconciliation, or when the reconciliation was done. We understood that, to some degree, different Finance staff handle certain parts of the monthly reconciliation.

Recommendations

The reconciliation documentation should indicate who performed the reconciliation and when the reconciliation was performed. We recommend the Village adopt some identifying method to indicate who performed the reconciliation. This would also assist in identifying a contact person should questions arise concerning a specific reconciliation, or specific item listed in a reconciliation, as well as confirming timely performance of the reconciliations.

Brad Bettenhausen

Mr. Bettenhausen has the power to approve almost any transaction, manages those who edit user controls in Eden, can transfer funds in any bank account without approval, holds the only Village credit card in his name, has been a long-standing employee of the Village and is highly regarded by others in various departments. See *Management Override of Controls* section in the *Financial Fraud Risks Assessment* section below.

Recommendations

In many ways, it is beneficial the Village has long-standing, well-respected employees. However, in some cases long-tenured employees garner significant trust, resulting in less oversight of monitoring their activities and responsibilities. This can create a heightened opportunity for fraud. When combined with the aforementioned abilities to control funds, manage those editing user controls and hold the credit card, the fraud risk surrounding Mr. Bettenhausen is even greater. This recommendation is not targeted at Mr. Bettenhausen specifically, it is for any individual with this level of access and control. Numerous examples exist where we have seen instances of fraud involving persons with significant control.

The Village should consider creating more checks and balances with Mr. Bettenhausen's access. The company credit card statements should be periodically reviewed by someone not under his management in the Finance Department. Implementing the recommendations in the *Super Users* and *Segregation of Duties* sections of this report will also help reduce the risks associated with Mr. Bettenhausen's abilities.

Management indicated the credit card statements are sent to accounts payable and not directly to Mr. Bettenhausen. Since accounts payable personnel report to Mr. Bettenhausen we recommend

the statements and receipts are sent to the Assistant Village Manager as a second approval from someone outside of Mr. Bettenhausen's group.

Application Access Process

During our discussions with several Village personnel, we noted there is no formal documentation related to the provisioning or removing of access to a particular application, such as Eden or active directory, for users. According to IT personnel, the currently preferred process is for HR to create a work order in the IT ticket system when a new employee joins the Village. This work order would provide notification to the IT department regarding the first day of work for a respective employee and the need for access through active directory on that date. As mentioned previously, IT does not handle the provisioning of access to Eden. Currently, the preference is for IT to receive a work order upon termination of an employee. However, this is not typically done, and there is no formal process for removing a user's access. Considerable time (days or even weeks) may pass before IT is aware of the termination, at which time they disable the active directory access.

In discussions with Finance personnel who are tasked with adding and removing users, they stated there is no formal form or notification during the on- or off-boarding process dictating the need to add or remove user access to Eden. However, the Village is pursuing implementation of a formal form and process in place to address this issue. Further, when employees are terminated, their respective Eden access is not inactivated. The belief is that, since the user's active directory access is inactivated, the user would not have access to Eden. In order to sign onto Eden, a user must first be able to sign into an active directory account. The sign-in to Eden then occurs similar to a single sign-on process, where Eden uses the active directory sign-on information to provide a user access to Eden.

Recommendations

Failure to remove system access in a timely manner could provide an opportunity for unauthorized access to the Village's systems and/or applications. This could be of particular concern if a prior employee, adversely terminated, conducts the unauthorized access, or if a current employee chooses to use a terminated employee's access and credentials. Failure to standardize the on-boarding process related to access provisioning could result in improper access assignments. Typically, an entity would have a standard form that is completed by the employee's supervisor during an employee's on-boarding process. This form would provide the employee's user access rights for applications needed to perform his or her duties. Further, the supervisor, and possibly the IT personnel responsible for the actual provisioning of access, would sign this form. In addition, this form would include an area indicating whether the change in access is to remove the access related to a terminating employee. The process for distributing this form to applicable parties should be formalized as well. It may not be that the IT ticketing system is the optimal method for this distribution, as not all applicable parties may receive the notification. An alternative distribution could be from HR via email, with the applicable form attached, to the necessary parties for notification. As previously noted, user access rights are role

based. As such, IT personnel would not need intimate knowledge of specific applications but would be able to add or remove user access rights based on provisioning documentation provided during on- or off-boarding of an employee.

Management indicated that a new process is being put in place that will address this disconnect.

Payroll

In our discussions with personnel from the various Village departments, we noted time recording for employees is completed manually, at least initially. For each department, employees manually enter their respective time onto paper time sheets. Supervisors approve their respective employees' timesheets and either the supervisor, or a departmental designee, will enter the time into Eden. Typically, once the information is in Eden, it is up to the individual departments to perform reconciliations to verify the completeness of the entered information. Based on our discussions, most departments maintain the physical copies of the manual time sheets for a short period in the event there is a question over pay. After such time period, the manual time sheets are sent to the Finance Department. The Finance Department retains the time sheets in the Finance storage area and destroys them according to the records disposal certificates.

Recommendations

During at least one interview, it was mentioned the Village HR Department is in the process of creating an electronic timekeeping module compatible with Eden. The software is provided by the same provider as Eden, thus it integrates with Eden. The timekeeping software is cloud based and contains a two-step approval process before integrating with Eden. To create efficiencies and reduce the potential for human error, we recommend the Village continue to pursue developing or obtaining an electronic timekeeping process and eliminate the manual process. This will allow efficient retention of source payroll records as well.

Expense Reimbursements

In most instances, a Village employee, or a designated individual within their respective department, would type up a memorandum requesting reimbursement for select expense items. The receipts related to each expense would be attached to the memo and then sent to the Finance Department for processing. However, we did note at least one department used a different form for expense reimbursement reporting. Fire Department personnel complete a standardized expense report detailing each expense item. Receipts are then attached to that form and provided to the Finance Department for processing. The expense report form contains specific sections and locations for each type of expense (*e.g.*, lodging, mileage, meals, etc.), as well as maximums, if applicable (*e.g.*, maximum reimbursement amounts for breakfast, lunch and dinner).

Recommendations

We recommend the Village adopt a standardized form of expense reimbursement request reporting. Though the memo version may suffice, having a standardized form provides

uniformity to the process, as well as a good summary of the activity. This standardization should exist across all departments.

Backup Process

Based on interviews with numerous Village personnel, it is our understanding that documents are scanned into the Eden system, thus held electronically. Nonetheless, paper copies are still retained for backup and documentation purposes. However, the IT Department completes backup procedures for Eden and other data nightly, replicating between two server locations. As such, both server locations should contain a full set of data. In discussions with IT personnel, we learned the backup and recovery process has not been tested to ensure both locations contain a full set of data and that data can be recovered.

Recommendations

The IT Department should conduct a test of the electronic backup and recovery of data, especially associated with Eden, and maintain documentation of this testing and the results. Once the backup and recovery process is confirmed, items scanned into the Eden system are no longer needed in printed format and the retention of paper backup documentation could cease. This change will reduce storage space requirements for the Village.

Police Department Ticketing/Collections Process

During our interviews, the Police Department ticketing/collections process was noted as being largely inefficient. Currently, the Police Department uses Incode to manage tickets. As tickets are issued, the information is entered into Incode and Eden's Core cashiering system. The Core system allows the customer to pay via cash, check or credit for tickets, water bills and vehicle stickers.

When the Police Department receives a payment for tickets, both Incode and the Core system are updated with the payment information. When the Village receives payments for tickets, the Village calls the Police Department to confirm the status and amount due for the ticket. The Village then processes the payment and enters the information into the Core system. Finally, the Village physically sends the processed tickets over to the Police Department to be entered into Incode, as the Village does not have access to Incode.

Based on our discussions with Ruth Gibson, Senior Accountant, both Incode and the Core system are owned by Tyler Technologies. The Village plans to move to Tyler Cashiering and eliminate dual entry into Incode and the Core system. The Village already has the Tyler Cashiering in their Library and has access to unlimited users. Two roadblocks have stalled this transition: Vehicle Stickers and Staffing Issues.

The current vehicle sticker process uses a customer lookup table which would be unavailable in Tyler Cashiering due to a surge in customers during the three months when vehicle stickers are

sold. Also, it has been difficult to schedule implementation of Tyler Cashiering due to staffing availability in both the IT and Finance Departments.

Recommendations

We recommend the Village fully implement the Tyler Cashiering system as it is already in use in the Library and unlimited user licensing is available. To curb the vehicle sticker crunch season, the Village should consider third-party outsourced software which would allow for online purchases. As more residents become aware of the online purchase option, this should alleviate much of the burden associated with the three-month busy season of purchases.

The implementation of these recommendations will require addressing staffing availability. These staffing availability issues reiterate previous recommendations in the Staffing Study conducted by the Matrix Consulting Group which recommended the Village fill vacant Treasurer's Office positions and hire an Information Technology Manager.[2]

Accessible Keys

The Village has two separate locked drawers for blank check stock and signed checks (those printed, but held for Board approval), which are located in a desk in the Finance Department and inside the safe, respectively. Keys for the drawers containing blank check stock and signed checks are kept in AP Clerk Sue Busz's and Ms. Gibson's unlocked drawers, respectively. Many individuals in the Village know the location of these keys. The blank check stock is truly blank of all account numbers.

In discussions with various Village personnel, petty cash boxes are maintained in a similar manner. Typically, they are contained in a cash box in a locked cabinet. However, members of the respective department have knowledge and access to the key. Further, no audits are conducted of the petty cash boxes.

Recommendations

The fraud risk is that improperly secured blank check stock and signed checks are at risk for misappropriation. The keys should not be held in unlocked drawers, as this control is very weak. An employee could obtain the key out of the unlocked drawer and gain access to the signed checks or petty cash boxes without anyone knowing. Further, we recommend a member from the Finance Department conduct periodic surprise audits of the various petty cash boxes located in Village departments.

House Accounts

Some house accounts with vendors around town require the individual purchasing product to show identification or provide a password, while others do not require anything. These

---

[2] Staffing Level Analysis of Administrative Departments – Matrix Consulting Group (Page 5)

unsecured house accounts may only require individuals to state "I work for the Village" to purchase products on the Village's account.

Recommendation

A fraud risk exists in that an unauthorized person could make a purchase on the Village's account. The Village should consider working with local vendors to require a password or other identification to purchase products.

Capital Project Testing

We have addressed the actual project testing in our Report on Fraud Risk Assessment and Data Analytics Procedures. This report addresses the processes/procedures associated with the testing. As part of our procedures, we performed transaction testing related to various departments, selecting a total of 12 capital projects. We then evaluated the purchasing process related to those projects.

During discussions with Finance Department staff, we learned Finance started maintaining a spreadsheet of capital projects, including the respective funding and disbursement activity, for each fiscal year. Our understanding is that these spreadsheets have only been maintained for the last few fiscal years.

As previously mentioned, Eden contains a document retention module, where the Finance Department maintains supporting documentation for disbursements. We were able to obtain all relevant supporting documentation for each tested project. For most of the selected projects, Robinson Engineering was the bid consultant who provided bid packet information for the required projects in our selection. Six of the projects selected for our testing were large projects that had formal bid processes. We were able to receive bid packet and recommendation documentation related to those projects.

Recommendation

As a best practice, as we had to follow up a couple times to get complete documentation, we recommend Finance implement a final review process, prior to payment of final invoice/contractor's pay estimate to ensure proper documentation and authorization(s) are in place and are centrally located. Further, it may be beneficial for the Village to post not only the winning bid for each project but also a bid summary (similar to that produced by Robinson Engineering noted in tested projects) to show the bid position between each bidder.

Request for Qualifications/Proposal Processes

According to the purchasing policy, the Request for Qualifications (RFQ) "process is when the Village is seeking information regarding the qualifications of potential suppliers of a service."[3]

---

[3] As defined in section 2.0 of the Purchasing Policy Manual adopted under Ordinance Number 2017-O-012

During our interviews, we learned there is concern amongst several employees about the bidding process for RFQ's and the awarding of contracts. Generally, the concerns expressed included Trustees having undisclosed conflicts with bidders and inappropriately influencing which contractors are selected during the voting/selection process. We were not retained to investigate these processes and have therefore not conducted an investigation into concerns about alleged impropriety. The perception of inappropriate approvals through the RFQ process is something we believe the Village needs to address.

Recommendations

Conflicts of interest exist when someone *could* abuse his or her official position for private gain. Even if there is no actual improper financial gain, the appearance (perception) of a conflict of interest can undermine the confidence and trust the citizens place in Village management. In the face of conflicts of interest, whether actual or perceived, transparency is one of the best methods in relieving potential allegations of misconduct.

We understand the Trustees sign a document (Village Appointed Commission and Board Members Ethics Statement) indicating they are free and clear of conflicts of interest with vendors or service providers. We recommend the Village consider performing data analytics procedures on a semi-regular basis (annually) that match Trustees', employees' and vendors' information to help identify nondisclosed relationships.

We further recommend that Trustees are reminded prior to discussions of RFQs and RFPs that not recusing themselves from deliberations involving related parties or business associations could violate their fiduciary duty to the Village.

No Hotline in Place

We noted the Village currently does not have a hotline in place. According to the ACFE's *2016 Report to the Nations,* tips are the number one way frauds are detected. Hotlines can provide a convenient means for receiving tips related to harassment, safety, or discrimination. Organizations with hotlines are better able to detect fraud and lessen the duration of inappropriate activity leading to reduced fraud losses.

Recommendation

We recommend the Village obtain a third-party, anonymous hotline service. While an internal line is better than no hotline, the ACFE states that anonymous third-party hotlines increase hotline usage thus reducing fraud risk and potential fraud losses. In general, employees are more comfortable using third-party hotlines due to concerns about the anonymity of their tips.

Thank you for the opportunity to assist you on this project. We would be happy to address any comments or questions you have.