



April 25, 2019

Tony Fremarek  
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Plainfield Township  
22525 W. Lockport Street  
Plainfield, IL 60544

Independent Accountant's Report On Applying Agreed-Upon Procedures

We have performed the procedures described in Schedule A, which were agreed to by Plainfield Township (the "Township"), solely to evaluate portions of the Township's accounting operations for the period ended March 19, 2019 related specifically to Emergency Assistance and General Assistance payment processing, Payroll processing, and Gift Card processing. The Township's management is responsible for the Township's accounting operations. The sufficiency of these procedures is solely the responsibility of the Township. Consequently, we make no representation regarding the sufficiency of the procedures referred to below either for the purpose for which this report has been requested or for any other purpose.

The procedures and associated findings are described in Schedule A.

This engagement to apply agreed-upon procedures was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an audit or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the financial statements of the Township as of March 19, 2019. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures; other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Township and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

*Werner, Rogers, Doran & Ruzon, LLC*

# REPORT ON APPLYING AGREED-UPON PROCEDURES

## Plainfield Township - Schedule A

We performed the following procedures and report the following associated findings:

### Internal Controls

#### **Procedures:**

- Obtain documentation of existing controls over the following areas:
  - Emergency Assistance and General Assistance payment processing
  - Payroll processing
  - Gift Cards processing
- Determine whether existing controls appear adequate, make recommendations for improvements
- Assist in developing strengthened written controls

#### **Process:**

WRDR requested written procedures as part of a request of materials email that was forwarded to the Township's Administrator.

WRDR was provided with printouts and electronic versions of procedures by the Administrator related to the following:

- General Assistance and Emergency Assistance Disbursement
- Credit Cards and In-Kind Gifts
- Use of Township Credit Cards

The procedures were developed and adopted in December 2018 and January 2019. Generally, the written procedures contained details about the procedures needed to process transactions for each area.

#### **Findings:**

**Finding 1:** We noted the Township did not have written procedures for Payroll Processing. The Township should develop written procedures governing all aspects of Payroll Processing, including review procedures. Additionally, other accounting areas should have written procedures such as: Capital Assets, Bank Reconciliations, Budget Process, Cash Receipts, Petty Cash, Journal Entries, Federal Grants, and Financial Close Process. See Schedule B for further discussion of Internal Controls.

**Township Response:** The Township is in the process of developing written controls for Payroll Processing and plans to develop written controls for all areas of accounting functions.

### Accuracy of payments made for Emergency Assistance and General Assistance

#### **Procedures:**

- Obtain a copy of the general ledger for the current fiscal year (the year beginning April 1, 2018) related to recording of payments made for Emergency Assistance and General Assistance
- Obtain documentation to support payments made for a sample of 40 payments
- Document any findings

#### **Process:**

We tested 40 items related to Emergency Assistance and General Assistance totaling \$5,514.55 disbursed by the Township from a population of 55 items totaling \$7,727.40 based on expenditures recorded in the Township's general ledger. The 40 disbursements were made on-behalf of 12 separate Township residents. Testing included reading documents in each case file selected, determining there was documentation of the resident's salary and matching the payment made against the maximum allowable assistance payment based on statute.

WRDR noted the amount paid appeared to be proper for 16 of the 40 payments tested totaling \$4,245.00.

#### **Findings:**

**Finding 2:** We noted 24 of the 40 payments made totaling \$1,269.55 were for the benefit of one individual who appeared to be eligible for Social Security benefits and therefore ineligible for General Assistance. The Township should deny making payments for ineligible residents.

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### **Plainfield Township - Schedule A**

**Township Response:** The Township was made aware of the ineligible payments prior to WRDR's testing and no further payments were made on behalf of the ineligible resident.

**Finding 3:** One payment recorded in the general ledger included a resident's share of their mortgage payment. The resident was eligible for Emergency Assistance related to their mortgage and had forwarded their share of the mortgage payment to the Township instead of paying the mortgage directly to the mortgagee. The Township subsequently turned the resident's mortgage payment over to the mortgagee. The Township should develop and implement a policy prohibiting the acceptance of the resident's portion of the mortgage payment.

**Township Response:** The Township is in the process of creating a policy to prohibit accepting mortgage payments from residents.

**Finding 4:** WRDR noted the Emergency/General Assistance case files were poorly organized. A checklist approach is used to verify Emergency Assistance and General Assistance eligibility; we recommend organizing the case files in the same order as the checklist to improve comparability between files and to improve the case file review process.

**Township Response:** The Township has begun the process of reorganizing case files using the checklist approach.

### **Accuracy of Payroll Figures and Processes**

#### **Procedures:**

- Compare salaries per the most recent payroll records to human resources data for a sample of 15 individuals
- Re-compute a given payroll for a sample of 15 individuals to determine the accuracy of payroll output
- Compare annual payroll data to 2018 W-2 forms for a sample of 15 individuals
- Document any findings

#### **Process:**

We selected 15 current employees at random for testing, additionally we selected 2 recent former employees. We obtained payroll reports that indicated the amount paid to each of the 15 current employees for the first paycheck paid in the month of March 2019 and the middle of the month paycheck paid to former employees for the month of November 2018. Each of the 17 paychecks selected appeared to be properly calculated based on information in the payroll system; also, the gross pay for each paycheck was traceable to the Township's accounting general ledger. We observed the W-2 forms (Wage and Tax Statement) for each of the 17 employees and compared the amounts reported on the W-2 forms to the amounts reported in the payroll system noting agreement.

We were provided access to the employee personnel file for each of the employees selected and we read documents from the files. We determined if a state and federal form W-4 (Employee's Withholding Allowance Certificate) was in each file. We also determined if current wage information was in each file.

Additional testing included recalculating each paycheck paid to 2 recent former employees during the current fiscal year based on time cards and approved salary information. Amounts appeared to be correctly calculated with the exception of the paycheck for one employee for the payroll that covered the time period from 9/17/2018 to 9/30/2018 and the inclusion of 2 extra hours for each paid day off for one individual (see findings).

Also, as a part of further additional testing, we recalculated the paychecks of 6 employees which included one of the recent former employees for the pay period 9/17/2018 to 9/30/2018 based on time cards.

#### **Findings:**

**Finding 5:** Of the 17 employee personnel files chosen for testing, 3 files did not contain W-4 forms and 11 files did not have information related to the employees' current approved wages. The personnel files were not consistently organized. Some of the files used a checklist to document the items that should be present in the file – most files did not use the checklist approach. The Township should review each employee personnel file using an approved checklist and maintain pertinent information such as W-4 forms and approved wage information.

**Township Response:** The Township has begun the process of reorganizing personnel files and ensuring the files have complete and current information.

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**Finding 6:** During our additional testing of paychecks paid to 2 recent former employees during the current fiscal year we looked at 39 time cards for one individual who was paid hourly (1 time card was not available for viewing) - the second individual was salaried and therefore was not required to complete time cards. We noted that although the hourly individual appeared to be a 30 hour per week employee, each paid day off (vacation, holiday, sick etc.) was recorded at 8 hours rather than 6 hours. Although the number of hours an employee should be paid for time off is not specifically mentioned in the current Township Employee Handbook, a reasonable person would surmise that paid time off should match an employee's normal work period. A total of 21 days off were recorded during the current fiscal year, bringing the total extra paid hours to 42, resulting in an extra \$840.00 of wages paid by the Township; added benefits amounted to \$151.45 for a combined total of \$991.45. The Township should develop a paid time off policy and pay employees for days off in accordance with the approved policy.

**Township Response:** The Township has begun the process of rewriting the Township Employee Handbook.

**Finding 7:** Our recalculation of the paychecks of 6 employees which included one of the recent former employees for the pay period 9/17/2018 to 9/30/2018 based on time cards revealed that employees were paid 8 hours of overtime for September 18, 2018 which was "Plainfield Township Day". The payment of overtime to these 6 employees resulted in an additional \$799.50 in wages and \$104.08 of related benefits expense for a combined total of \$903.58 compared to what the employees were entitled to, based on actual hours worked. The Township should only pay employees for actual hours worked at approved rates.

**Township Response:** The Township has stopped the process of employees being paid for time not worked.

**Finding 8:** For all time cards we viewed that were dated prior to December 2018, we noted employee time cards did not have evidence of a review or approval such as having a supervisor's initials on the time cards. All time cards we viewed that were dated in December 2018 had evidence of a review through a supervisor's initials. The Township should continue the new practice of documenting time card reviews.

**Township Response:** In December 2018, the Township implemented a process of a documented review of employee time cards prior to the payroll being processed.

### **Documentation of Gift Card Distribution**

#### **Procedures:**

- Obtain documentation related to the distribution of gift cards during the current fiscal year
- Select a sample of 25 gift cards to determine if distributions were properly made
- Document any findings

#### **Process:**

We observed the contents of a file maintained by the Township for gift cards. We noted 10 separate gift cards, 3 for Walmart and 7 for Meijer, each valued at \$25.00, for a total of \$250.00. We did not note evidence of any gift card purchases, sales or distributions during the current fiscal year.

#### **Findings:**

**Finding 9:** The Township has developed and implemented a new policy restricting the purchase and distribution of gift cards. The Township should determine the proper course of action to distribute the remaining \$250.00 of gift cards.

**Township Response:** The Township plans to donate the gift cards to the Plainfield Area Interfaith Food Pantry, which is a registered IRS 501(c)(3) charitable organization that can accept donated gift cards.

# REPORT ON APPLYING AGREED-UPON PROCEDURES

## Plainfield Township - Schedule B

### Internal Controls

The information in Schedule B is presented to assist the Township in developing strengthened internal controls by providing an overview.

Current best practices in developing internal controls over all accounting functions has an emphasis on the five elements of internal control as defined by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) (collectively the "Frameworks"): control environment, risk assessment, control activities, information and communication, and monitoring.

- **Control Environment** sets the tone of an organization influencing the control consciousness of its people. It is the foundation for all other components of internal control, providing discipline and structure.
- **Risk Assessment** is the entity's identification and analysis of risks relevant to achievement of its objectives, forming a basis for determining how the risks should be managed.
- **Control Activities** are the policies and procedures that help ensure that management's directives are carried out.
- **Information and Communication** are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.
- **Monitoring** is a process that assesses the quality of internal control performance over time.

The Frameworks maintain 17 principles to be followed:

#### CONTROL ENVIRONMENT

1. Demonstrates commitment to integrity and ethical values
2. Exercises oversight responsibility
3. Establishes structure, authority, and responsibility
4. Demonstrates commitment to competence
5. Enforces accountability

#### RISK ASSESSMENT

6. Specifies suitable objectives
7. Identifies and analyzes risk
8. Assesses fraud risk
9. Identifies and analyzes significant change

#### CONTROL ACTIVITIES

10. Selects and develops control activities
11. Selects and develops general controls over technology
12. Deploys through policies and procedures

#### INFORMATION & COMMUNICATION

13. Uses relevant information
14. Communicates internally
15. Communicates externally

#### MONITORING

16. Conducts ongoing and/or separate evaluations
17. Evaluates and communicates deficiencies

#### Objectives

The Frameworks provide for three categories of objectives, which allow organizations to focus on differing aspects of internal control:

- **Operations Objectives**—These pertain to effectiveness and efficiency of the entity's operations, including operational and financial performance goals, and safeguarding assets against loss.
- **Reporting Objectives**—These pertain to internal and external financial and non-financial reporting and may encompass reliability, timeliness, transparency, or other terms as set forth by regulators, recognized standard setters, or the entity's policies.

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- Compliance Objectives—These pertain to adherence to laws and regulations to which the entity is subject.

Operations objectives that should be considered include:

Occurrence — the transactions actually took place

Completeness — all transactions that should have been recorded have been recorded

Accuracy — the transactions were recorded at the appropriate amounts

Authorization — all transactions were properly authorized

Cutoff — the transactions have been recorded in the correct accounting period

Classification — the transactions have been recorded in the proper accounts

Also, the Township should strive to maintain segregation of duties. Effective segregation of duties prevents any one person from controlling more than one of the following:

Authorization (approving transactions and operations)

Custody (Access or control of cash, checks, credit cards, etc.)

Record Keeping (Creating and maintaining accounting records)

Review/Reconciliation (Verifying the recording of transactions)