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CERTIFIED PUBLIC ACCOUNTANTS

February 19, 2019

Board of Trustees  
DuPage Township  
Bolingbrook, Illinois

In planning and performing our audit of the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of DuPage Township as of and for the year ended March 31, 2018, in accordance with auditing standards generally accepted in the United States of America, we considered DuPage Township'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 DuPage Township's internal control. Accordingly, we do not express an opinion on the effectiveness of DuPage Township'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 certain deficiencies in internal control 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 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. We consider the deficiencies in internal control described in the attachment to this letter (2018-01 through 2018-04) to be material weaknesses.

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 have identified significant deficiencies in internal control in the attachment to this letter (Findings 2018-05 through 2018-07).

During our audit, we also became aware of the following other matters that are opportunities for strengthening internal controls and operating efficiency: Comments 2018-08 through 2018-10.

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

*Mack & Associates, P.C.*

Mack & Associates, P.C.  
Certified Public Accountants  
Morris, Illinois

## DUPAGE TOWNSHIP

### Schedule of Material Weaknesses March 31, 2018

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*We consider the deficiencies in internal control described below to be material weaknesses:*

#### **Material Weaknesses**

##### **2018-01: Financial Oversight**

###### *Description:*

Oversight of the Township's processes, procedures, and controls related to financial reporting are not effective to ensure the financial statements and related disclosures are fairly presented in accordance with generally accepted accounting principles.

The Board of Trustees has the ultimate responsibility for oversight of the Township's system of internal control over financial reporting. While it is acceptable to outsource various functions, responsibility for financial oversight cannot be outsourced to external auditors. As independent auditors, the external auditors cannot be considered a part of the Township's system of internal controls.

In an ideal setting, the Board of Trustees would possess a thorough understanding of financial and regulatory matters, and receive and review detailed financial information, sufficient to oversee the Township's system of internal control over financial reporting.

Some trustees and management may not possess comprehensive financial and regulatory knowledge to effectively oversee the Township's system of internal controls over financial reporting. Additionally, management does not provide the Board with necessary information required for adequate oversight.

Without proper oversight, material misstatements to the financial statements may not be prevented or detected during the normal course of operations.

As a result of insufficient financial oversight during the year, we identified a number of internal control deficiencies and other matters, which are included on the following pages, and relate to oversight and management of purchasing, disbursements, and payroll recording and reporting. Employees involved in the financial processing and reporting areas of the Township were unable to answer many inquiries and questions that arose throughout the audit process.

###### *Recommendation:*

It is imperative that management involved in the financial reporting process and those charged with governance obtain a thorough understanding of financial and regulatory matters, and receive and review detailed financial information sufficient to take responsibility for oversight of the Township's financial operations and internal controls. The Township should work with the contracted accounting firm to develop a system of internal controls and reporting that will allow the Trustees to perform their fiduciary oversight responsibilities.

## DUPAGE TOWNSHIP

### Schedule of Material Weaknesses March 31, 2018

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#### **Material Weaknesses – (continued)**

##### **2018-02: Accounting Software/Financial Reporting (Prior Year Comment)**

*Description:*

The Township's accounting software, American Municipal Software (AMS), is outdated and functionality is limited. The Township has experienced significant changes in accounting requirements, as well as changes in staffing, since the software was purchased. The current system is difficult for staff to use and is unable meet the reporting needs of the Township. Limitations of the software include:

- Limited support services from a vendor managed and run by one individual
- Manual journal entries are frequently required to properly record standard transactions
- Inability to record interfund transactions without manual intervention
- Ability to edit beginning fund balances
- Receipts are posted to the software as journal entries
- Difficulty in navigating accounting modules

As a result, Township financial staff experience the following:

- Inability to complete bank reconciliations
- Incomplete financial information
- Appropriate financial reporting is not provided to the Board

*Recommendation:*

The Township, along with the contracted accounting firm, should review the effectiveness of the existing accounting system and analyze the financial reporting needs of the Township. The contracted accounting firm has begun to explore other software options to ensure complete and accurate reporting of the Township's finances.

## DUPAGE TOWNSHIP

### Schedule of Material Weaknesses March 31, 2018

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#### Material Weaknesses – (continued)

##### 2018-03: Bank Reconciliations (Prior Year Comment)

*Description:*

Bank reconciliations were not completed timely. During the initial stages of the audit, we identified that the cash balances per the general ledger had not been reconciled to the bank statement since November 2017, and all revenues had not been recorded in the software. Due to incomplete records, the Board could not receive financial information that was complete and accurate.

*Recommendation:*

The bank reconciliation process is integral to a strong system of internal controls over financial reporting. Cash reconciliations that reconcile bank balances to the general ledger should be prepared, reviewed and approved on a monthly basis to verify that all cash transactions are recorded properly, and any variances can be researched and resolved on a timely basis.

The Township has since engaged Klein Hall CPAs to complete all bank reconciliations.

## DUPAGE TOWNSHIP

### Schedule of Material Weaknesses March 31, 2018

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#### **Material Weaknesses** – (continued)

##### **2018-04: Internal Controls Over Payroll**

*Description:*

There are insufficient policies and procedures relating to payroll processing, review, authorization and approval. As a result, the following issues were identified during our audit:

- Payroll amounts and transactions were not reported to the Board.
- The Board does not approve employee pay rates and increases, and authorization for payroll changes is not documented.
- **Unauthorized and undocumented payroll advances were made.**
- Payroll transaction documentation was not sufficient. There were not time cards for all payroll transactions tested and there was not documentation supporting certain payroll withholdings.
- Staff was unable to answer inquiries regarding payroll expenditures and withholding.

*Recommendation:*

The Board should be involved in the review of payroll transactions, paid time off, and authorization of pay rates and increases. The Township should implement formal policies related to payroll processing and assign responsibility for human resources related activities such as employee record retention, paid time off policies, and other payroll documentation.

The Township has since contracted with ADP to process payroll transactions; however, the Township still has the primary responsibility for developing the policies and authorizing payroll activity to ensure reporting to ADP is complete and accurate.

## DUPAGE TOWNSHIP

### Schedule of Significant Deficiencies March 31, 2018

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*We consider the deficiencies in internal control below to be significant deficiencies.*

#### **Significant Deficiencies**

##### **2018-05: Financial Statement Preparation**

###### *Description:*

The Township's personnel do not prepare the Township's financial statements and related disclosures. The Township lacks the resources to prepare complete and accurate financial statements and engages the external auditors to assist in preparing these reports using the financial reports provided by the Township.

The Board of Trustees has the ultimate responsibility for the Township's system of internal control over financial reporting. As independent auditors, the external auditors cannot be considered a part of the Township's system of internal controls. While it is acceptable to outsource various functions, responsibility for internal control cannot be outsourced to external auditors.

While it is common practice for the auditors to prepare the financial statements for many entities, this is considered an internal control deficiency in accordance with generally accepted auditing standards, which requires written communication to those charged with governance.

Because the auditors, not management, have prepared the financial statements and related disclosures, material misstatements to the financial statements may not be prevented or detected by the Township's system of internal controls.

###### *Recommendation:*

The Township should work closely with the contracted accounting firm to implement internal controls related to financial statement preparation in accordance with GASB standards.

## DUPAGE TOWNSHIP

### Schedule of Significant Deficiencies March 31, 2018

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#### Significant Deficiencies – (continued)

##### **2018-06: Written Policies, Cross Training (Prior Year Comment)**

*Description:*

The Township does not have formally documented policies and procedures and there is minimal cross training among financial personnel to ensure that financial reporting is timely and accurate. When a key finance employee was absent, while day to day tasks such as disbursements and payroll were completed, there were difficulties performing these tasks and bank reconciliations and reporting processes were left unaddressed.

Lacking formally documented policies and procedures and cross training in key areas during times of staff turnover could lead to significant issues in processing financial activity and could result in material financial misstatements.

*Recommendation:*

We recommend the Township consider developing formally written policies and procedures for the areas above. We also recommend the Township ensure there is appropriate cross training specifically in the account payable and payroll areas. Cross training and detailed written procedures help reduce the risk of errors in cases of staff turnover or unplanned absences.

The Township hired a contracted accounting firm to perform portions of the fiscal duties and should work with them to implement a strong system of internal controls and develop written policies and procedures relating to financial processing and reporting.

**DUPAGE TOWNSHIP**

**Schedule of Significant Deficiencies  
March 31, 2018**

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**Significant Deficiencies – (continued)**

**2018-07: Controls Over General and Emergency Assistance Program**

*Description:*

The Township does not have formally documented and enforced policies related to application, approval, documentation/record retention and disbursement of General Assistance funds. During our audit procedures, we identified payments made to employees and non-profit agencies that did not meet the criteria for general assistance or emergency payments. In addition, the Township could not provide documentation for some expenditures selected for testing during our audit procedures.

*Recommendation:*

The Township should implement a formal policy and set guidelines for application, approval, documentation/record retention, and disbursement of General Assistance funds that is in compliance with applicable state statutes.



**DUPAGE TOWNSHIP**

**Schedule of Management Comments and Recommendations  
March 31, 2018**

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*In addition to the material weaknesses and significant deficiencies reported on the preceding pages, we became aware of the following matters that are opportunities for strengthening internal controls and operating efficiency:*

**2018-08: Disbursements/ Purchase Order System**

*Description:*

The Township has no formal written policy on the disbursement process. All purchases typically are accompanied by a Supervisor Voucher form which is not pre-numbered and not generated from the accounting system. All vouchers do not have authorized signatures and some disbursements tested during our audit were approved verbally or via text message, leaving no evidence of proper approval.

*Recommendation:*

The Township should implement and enforce a formal written policy for purchasing and disbursements to be followed by all departments and offices within the Township.

**2018-09: Expenditures in Excess of Appropriations**

*Description:*

Expenditures exceeded appropriations for the following individual funds:

<u>Fund</u>	<u>Excess</u>
General (Town) Fund	\$ 50,404
Capital Improvements Fund*	169,584
Cemetery Fund	275
Banquet Rentals Fund	3,486

\*No appropriations

The General Fund expenditures exceeded appropriations primarily due to expenses that were reclassified from the General Assistance Fund that did not meet the criteria of general assistance or emergency assistance payments. Additionally, transfers exceeding the budgeted amount by \$100,192 were made from the General Fund to the Capital Improvements Fund.

*Recommendation:*

Township management should carefully monitor each fund to ensure that expenditures do not exceed appropriations.

## DUPAGE TOWNSHIP

### Schedule of Management Comments and Recommendations March 31, 2018

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#### 2018-10: Accounting for Capital Assets / Long-Term Debt/Capital Leases

*Description:*

The external auditors maintain the Township's listing of capital assets and schedule of long-term debt for reporting in the annual financial statements. The Township relies on the auditors to determine capital additions and disposals annually and to properly report principal and interest payments and outstanding debt balances.

The Board of Trustees has the ultimate responsibility for the Township's system of internal control over financial reporting. While it is acceptable to outsource various functions, responsibility for internal control cannot be outsourced to external auditors. As independent auditors, the external auditors cannot be considered a part of the Township's system of internal controls.

The Township also had a capital lease that was not included in the prior year financial statements.

*Recommendation:*

We recommend the Township provide a complete listing of capital additions and disposals annually, to ensure completeness and accuracy of the capital asset listing. The Township should also track principal and interest payments, and outstanding balances of all long-term debt

The Township has engaged an outside accounting contract to assist with fiscal duties and reporting should work closely with the firm to implement a strong system of internal controls related to the tracking and reporting of capital assets, capital leases and debt.