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Board of Trustees
DuPage Township, Illinois
Bolingbrook, Illinois

As part of our audit of the financial statements of DuPage Township (Township) as of and for the year ended March 31, 2017, we wish to communicate the following to you.

Audit Scope and Results

Auditor's Responsibility Under Auditing Standards Generally Accepted in the United States of America

An audit performed in accordance with auditing standards generally accepted in the United States of America is designed to obtain reasonable, rather than absolute, assurance about the financial statements. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement audit that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

An audit of the financial statements does not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The Township's significant accounting policies are described in Note 1 of the audited financial statements.

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices for material items, including recognition, measurement and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable.

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Useful lives and depreciation expense.
- Net pension liability.
- Compensated absences.

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Revenue recognition.
- Expense and liability for pension benefits under IMRF.

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate.

Areas in which adjustments were proposed include:

Proposed Audit Adjustments Recorded

- Net pension liability and related balances in connection with GASB Statement No. 68 related to pensions.
- Property taxes receivable and deferred inflows of resources.
- Beginning fund balances – the Township's internal accounting system does not include balances forwarded from the prior fiscal year audited financial statements as these internal records are maintained on a current period cash basis.
- Capital assets and related depreciation.
- Cash to accrual journal entries related to liquor inventory, gift card donations, rental deposits and prepaid expenses.

Proposed Audit Adjustments Not Recorded

- Attached is a summary of uncorrected misstatements we aggregated during the current engagement and pertaining to the latest period presented that were determined by management to be immaterial, both individually and in the aggregate, to the financial statements as a whole.

Auditor's Judgments About the Quality of the Entity's Accounting Principles

During the course of the audit, we made the following observations regarding the Township's application of accounting principles:

- No matters are reportable.

Significant Issues Discussed with Management

During the Audit Process

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- Bank reconciliations.
- Net pension liability calculations, accounting treatment and disclosure requirements.
- Rental and event deposits.

Difficulties Encountered in Performing the Audit

Our audit requires cooperative effort between management and the audit team. During our audit, we found significant difficulties in working effectively on the following matters:

- No matters are reportable.

Other Material Written Communications

Listed below are other material written communications between management and us related to the audit:

- Management representation letter (attached).

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements of DuPage Township as of and for the year ended March 31, 2017, in accordance with auditing standards generally accepted in the United States of America, we considered the Township's 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 Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses and other deficiencies 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 of the Township's financial statements on a timely basis. A deficiency in design exists when a control necessary to meet a control objective is missing or an existing control is not properly designed so that, even if the control operates as designed, a control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 Township's financial statements will not be prevented or detected and corrected on a timely basis.

A significant deficiency is a deficiency, or 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 observed the following matters that we consider to be material weaknesses and significant deficiencies.

Material Weakness

Accounting Software/Financial Reporting

The software program used to perform the accounting functions of the Township was acquired several years ago. Since that time, the Township has experienced significant changes in accounting requirements. The current system is unable to provide modified accrual basis financial information for governmental activities of the Township. As a result, the year-end audit process includes the preparation of numerous accounting entries to prepare financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). These entries are developed by the auditors.

As a result, the Township cannot provide periodic GAAP basis financial reports to management or members of the Board of Trustees.

Accounting software trends have produced more sophisticated tools to perform complex accounting functions that would better meet the needs of the Township and increase productivity with respect to financial transactions.

The Township should undergo a review of the existing accounting system and analyze the financial reporting needs of the Township. This evaluation should focus on insuring that the Township's financial systems maximize the productivity of its finance staff, provide reliable and timely modified accrual basis financial information, and meet additional financial reporting needs of management and the Board of Trustees.

Management Response: We agree software program is antiquated and lack the ability to maximize the productivity of the financial staff. We are acquiring Quickbooks Pro which we understand is well known and should increase the ability for transactions to be transferred by the auditors. We are seeking professional training for both staff members who will be using the program. It is our hope to be able to have this fully functional by the end of the current fiscal year.

Bank Reconciliations (Prior Year Comment)

During our review of the cash transaction processes, we noted that the accountant is responsible for reconciling the bank statement activity to the Township's records each month to ensure that all bank activity is authorized and accurate. In addition, all of the cash activity is to be agreed to the cash ledger activity to ensure transactions are recorded properly. During the audit, we noted that the cash balances per the general ledger were not reconciled to the bank statements on a timely basis and the journal entries to record cash activity had not been reviewed or approved.

In order to make the financial reports generated by the accounting system as reliable as possible, a cash reconciliation that reconciles from the bank balance to the general ledger balance should be prepared and approved on a monthly basis to determine that all cash transactions are recorded properly and any variances can be researched and resolved on a timely basis.

Management Response: Subsequent to yearend, we implemented a process and procedure whereby the bank accounts are reconciled monthly to the general ledger by the Office Assistant and reviewed and approved by the Assistant to the Supervisor. All bank reconciliations for FY17 were prepared subsequent to yearend and provided for the audit. In the coming year, these reconciliations and related journal entries will be prepared and approved on a timely basis.

Significant Deficiencies

Manual Journal Entries

During the audit, we noted that approval of manual journal entries posted to the general ledger system is not documented. These entries are included in the financial statements and approved as part of the overall review performed regularly; however, we recommend that the individual journal entries be approved each month and such approval be documented. This step can be performed on a monthly basis by reviewing the monthly journal entry report as part of the bank reconciliation review process noted above.

Management Response: In the coming year, review and approval of all manual journal entries will be performed and documented monthly.

Written Policies and Cross Training

The Township does not have formally documented policies and procedures in the following areas:

- Accounting policies and procedures.
- Information technology policies and procedures.
- Information security policy.
- Disaster recovery policy.

In addition, there are a few areas within the Township procedures where there is no cross training – payroll, accounts payable processing, bank reconciliations and the information technology functions.

Not having 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.

We recommend that the Township consider developing formally written policies and procedures for the areas above. We also recommend that the Township ensure that there is appropriate cross training specifically in the account payable and the information technology positions. In lieu of cross training, having formally detailed written procedures helps mitigate confusion in cases of staff turnover or unplanned absences.

Management Response: The Township has informally documented processes and procedures. The Township will assess the need to create formal procedures and policies. With the implementation of the new software, there will be two employees cross trained with the software.

Other Matters

Although not considered material weaknesses, significant deficiencies or deficiencies in internal control over financial reporting, we observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements.

GASB Statement No. 82, Pension Issues (GASB 82)

GASB 82 provides amendments to pension guidance in GASB 67 and 68 based on three issues raised during implementation of those standards. It changes the payroll amount presented in required supplementary information back to covered payroll, being the amount on which contributions to the pension plan are based. It specifies that an actuarial valuation is not in conformity with the pension standards if it includes a deviation from the Actuarial Standards of Practice in the selection of assumptions. GASB 82 also specifies that payments made by employers to satisfy employee contribution requirements should be considered employee contributions and recognized as expense or expenditure in the same manner as other compensation.

GASB 82 is effective for financial statements for fiscal years beginning after June 15, 2016, with the exception of the provision related to a deviation from Actuarial Standards of Practice, which will be effective for fiscal years in which the measurement date is on or after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 87, Leases (GASB 87)

GASB 87 establishes a single approach to accounting for and reporting leases by state and local governments.

The main rules of GASB 87 with respect to government entities that are lessees require that the lessees:

- Recognize the following: (a) a lease liability and (b) an intangible asset representing the lessee's right to use the leased asset; and
- Report in its financial statements: (a) amortization expense for using the lease asset over the shorter of the term of the lease or the useful life of the underlying asset, (b) interest expense on the lease liability and (c) note disclosures about the lease.

Under GASB 87, government entities that are lessors must:

- Recognize: (a) a lease receivable and (b) a deferred inflow of resources and continue to report the leased asset in its financial statements; and
- Report in its financial statements: (a) lease revenue, recognized over the term of the lease, corresponding with the reduction of the deferred inflow, (b) interest income on the receivable and (c) note disclosures about the lease.

GASB 87 provides exceptions from the single-approach for short-term leases, financial purchases, leases of assets that are investments and certain regulated leases. GASB 87 also addresses accounting for lease terminations and modifications, sale-leaseback transactions, nonlease components embedded in lease contracts (such as service agreements) and leases with related parties.

GASB 87 is effective for reporting periods beginning after December 15, 2019, with earlier application encouraged.

Vendor Fraud - Business Email Compromise

The latest wave of business fraud takes the form of email impersonation schemes, in which perpetrators attempt to fraudulently induce employees of a business entity to execute a wire transfer. In business email compromise (BEC) schemes fraudsters masquerade as an approved vendor or business partner. For example, a person with authority to initiate or execute a transaction (e.g. a C-level executive) within the victim organization receives an email via their business account purportedly from a vendor requesting a wire transfer to a designated bank account. The innocent looking email fools the employee receiving it because it appears to be coming from a legitimate business relationship. The emails are "spoofed" by adding, removing or changing characters in the email address that make it difficult to distinguish the perpetrator's email address from the legitimate email address. Unbeknownst to the victims, the wires are typically made to overseas bank accounts (typically in China, South Africa, Turkey and Japan).

The Internet Crime Compliant Center (IC3) reported receiving complaints of similar schemes from every U.S. State and 45 countries. The combined number of victims totaled 2,126 with a combined dollar loss of approximately $214,970,000. The FBI estimates since January 2015, there has been a 1,300% increase in losses related to BEC scams which total $3.1 billion during that period. Approximately 56% of all victims are located in the United States and vary in size. It's unknown how victims are selected, but it appears that the fraudsters study their victims prior to initiating the BEC scam.

It's important to note that this type of fraud could occur even when all standard internal controls and protocols are followed by victim organizations and their employees. Therefore, this type of fraud is particularly difficult to prevent. Spam filters and anti-virus software are not designed to protect against clever engineered impersonation. The human element is vitally important. We recommend conducting employee training on BEC for all employees with ability to issue payments. We further recommend, if possible, two-person verification for all bank wires and ACH payments.

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The Township's written responses to the material weaknesses and significant deficiencies identified in our audit have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on them.

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

BKD, LLP

Oakbrook Terrace, Illinois
September 14, 2017

Client: DuPage Township

Period Ending: March 31, 2017

Governmental Activities (Government-Wide Statements)

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J), Projected (P)	Assets & Deferred Outflows: *Current* DR (CR)	Assets & Deferred Outflows: *Non-Current* DR (CR)	Liabilities & Deferred Inflows: *Current* DR (CR)	Liabilities & Deferred Inflows: *Non-Current* DR (CR)	General Revenues & Transfers DR (CR)	Net Program Revenues/ Expenses DR (CR)	Net Position DR (CR)	Net Effect on Following Year: *Change in Net Position* DR (CR)	Net Effect on Following Year: *Net Position* DR (CR)
To record aje for net pension liability for difference between actuarial valuation and imrf Schedule of Changes in NPL		F	0	231,655	0	5,023	0	94,700	(331,378)	331,378	(331,378)
To record reversal of prior year PPRT receivable.		F	(49,086)	0	0	0	0	49,086	0	0	0
To post current year receivable for PPRT Revenues.		F	37,652	0	0	0	0	(37,652)	0	37,652	(37,652)
To post AP accrual for legal		F	0	0	(13,434)	0	0	13,434	0	(13,434)	13,434
			0	0	0	0	0	0	0	0	0
			0	0	0	0	0	0	0	0	0
Total passed adjustments			(11,434)	231,655	(13,434)	5,023	0	119,568	(331,378)	355,596	(355,596)

Impact on Change in Net Position	**119,568**
Impact on Net Position	**(211,810)**

Client: DuPage Township

Period Ending: March 31, 2017

Town Fund

SCHEDULE OF UNCORRECTED MISSTATEMENTS (ADJUSTMENTS PASSED)

Description	Financial Statement Line Item	Factual (F), Judgmental (J), Projected (P)	Assets & Deferred Outflows DR (CR)	Liabilities & Deferred Inflows DR (CR)	Revenues DR (CR)	Expenditures DR (CR)	Fund Balance DR (CR)	Net Effect on Following Year: *Change in Fund Balance* DR (CR)	Net Effect on Following Year: *Fund Balance* DR (CR)
To record reversal of prior year PPRT receivable.		F	0	0	0	0	0	0	0
To post current year receivable for PPRT Revenues.		F	0	0	0	0	0	(37,652)	(37,652)
To post AP accrual for legal expenses.		F	0	(13,434)	0	13,434	0	(13,434)	13,434
			0	0	0	0	0	0	0
			0	0	0	0	0	0	0
			0	0	0	0	0	0	0
Total passed adjustments			37,652	(13,434)	11,434	13,434	(49,086)	(51,086)	(24,218)

Impact on Change in Fund Balanc	**24,868**
Impact on Fund Balance	**(24,218)**