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CERTIFIED PUBLIC ACCOUNTANTS

July 16, 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, 2019, 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 material weaknesses, and others 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 (2019-01 & 2019-02) 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 2019-03 through 2019-06).

During our audit, we also became aware of the following other matters that are opportunities for strengthening internal controls and operating efficiency: Comments 2019-07 through 2019-10.

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, 2019

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

Material Weaknesses

2019-01: Financial Oversight & Control Environment

Condition:

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 Township's control environment does not demonstrate the entity's commitment to accurate accounting and financial reporting.

Criteria:

The Board of Trustees and Township Officials have the ultimate responsibility for oversight of the Township's system of internal control over financial reporting. Those charged with governance and management are responsible for creating and maintaining an appropriate foundation for the other components of internal control.

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.

Cause:

Some trustees, elected officials, and management may not possess comprehensive financial and regulatory knowledge to effectively develop or oversee the Township's system of internal controls over financial reporting. The Township has never developed or formalized internal control policies, and past practices have not been consistent with a strong system of financial oversight and control environment.

Effect:

Without proper oversight, material misstatements to the financial statements may occur and 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. These deficiencies were pervasive throughout the Township's operations for the year under audit.

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, develop and maintain a strong control environment, and receive and review detailed financial information sufficient to take responsibility for oversight of the Township's financial reporting.

Management's Response:

The Township's trustees, elected officials, and management have engaged a third-party accounting firm, and have begun the process of developing an internal control environment that will result in complete and appropriate financial reporting, as well as allow for adequate oversight by those charged with governance.

DUPAGE TOWNSHIP

Schedule of Material Weaknesses March 31, 2019

Material Weaknesses - (continued)

2019-02: Written Policies & Procedures and Cross Training

Condition:

The Township does not have formally documented policies and procedures for its financial reporting system, including receipting, disbursements, petty cash, payroll, monthly and year-end close, and periodic reporting. There is also minimal cross training among financial personnel to ensure that financial reporting is timely and accurate in the event a key person is absent.

Criteria:

Financial policies and procedures are central to a strategic, long-term approach to financial management. Formal policies and procedures encourage good financial management practices, clarify the Township's intent and financial goals, define boundaries, and mitigate risks related to inappropriate or incorrect financial reporting. Policies and procedures should be specific, and should cover all aspects of the financial reporting process.

Cause:

The Township has not developed and enforced such policies and procedures in the past, and has operated based on an informal set of controls and processes.

Effect:

Lacking formally documented policies and procedures and cross training in key areas during times of staff turnover has led to significant issues in processing financial activity and could result in material financial misstatements. Additionally, certain audit findings and errors identified in the current and prior years could have been prevented or detected by management had documented policies and procedures been implemented.

Recommendation:

We recommend the Township consider developing formally written policies and procedures for all financial reporting processes and systems. The Government Finance Officers Association provides recommendations and best practices to consider in preparing such policies and procedures. The Township should also consider working with other Illinois Townships or the Township Officials of Illinois for guidance in developing these policies. We also advise the Township to ensure there is appropriate cross training among staff once policies and procedures are put into place.

Management's Response:

The Township has begun to develop and implement a strong system of internal controls and to develop and formalize policies and procedures relating to financial processing and reporting.

DUPAGE TOWNSHIP

Schedule of Significant Deficiencies March 31, 2019

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

Significant Deficiencies

2019-03: Financial Statement Preparation

Condition:

The Township's personnel do not prepare the Township's financial statements and related disclosures. The Township has engaged the external auditors to assist in preparing these reports using the financial information provided by the Township.

Criteria:

Township management has the ultimate responsibility for the Township's system of internal control over financial reporting, including preparation of complete and accurate external financial statements and related disclosures. 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.

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

Cause:

Township management, with assistance from the outside consultants, have prepared final trial balances and supporting schedules for many financial statement amounts and disclosures. However, the independent auditors prepared schedules required for presentation and disclosure of the Township's capital assets, long-term debt, and net pension obligation and related balances. These amounts are material to the financial statements.

Effect:

Without preparation of these schedules and inclusion of the information by the auditors, the Township's financial statements would have been materially misstated.

Recommendation:

In addition to performing a comprehensive review of the financial statements and related disclosures, the Township should designate individuals within the Township or its outside consultants to maintain the schedules identified above, and should provide these to the auditors annually for testing and analysis.

Management's Response:

In the current year, management and the outside consultants worked with the auditors to prepare year-end adjustments and supporting schedules for the financial statements and disclosures. A comprehensive review of the financial statements was also performed. Management or the outside consultants will prepare the schedules listed above going forward.

DUPAGE TOWNSHIP

Schedule of Significant Deficiencies March 31, 2019

Significant Deficiencies – (continued)

2019-04: Accounting Software, Receipting, & Manual Adjustments

Condition:

The Township's accounting software is not adequate for meeting the financial reporting and internal control needs of the Township.

Criteria:

The accounting software implemented by the Township is an integral part of the Township's system of internal controls over financial reporting, and should provide for the most efficient and effective means of capturing and reporting financial transactions.

Cause:

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 to 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 required to properly record standard transactions, including all receipts
- Inability to record interfund transactions without manual intervention
- Ability to edit beginning fund balances
- Difficulty in navigating accounting modules

Effect:

As a result of the accounting system limitations, a variety of control deficiencies and inefficiencies exist that could result in misstatements to the financial statements, including:

- Appropriate financial reporting is not provided to the Board
- Significant cash receipts at the Levy Center are subject to inefficient manual processes, and are only recorded once per month.

Recommendation:

The Township should consider accounting software alternatives. Accounting software should allow for adequate segregation of duties, real-time recording of receipts (point-of sale), interfacing capabilities with other programs throughout the organization, a wide variety of reports to assist in oversight of the Township's financial operations.

Management's Response

The Township recognizes the limitations of the current software and is working with the outside consultants to identify and purchase an updated system.

DUPAGE TOWNSHIP

Schedule of Significant Deficiencies March 31, 2019

Significant Deficiencies – (continued)

2019-05: Internal Controls Over Payroll

Condition:

The Township has insufficient policies and procedures relating to payroll processing, review, authorization, and approval.

Criteria:

Policies and procedures should be sufficiently formalized and documented to allow Management to promptly identify and correct financial misstatements or instances of non-compliance related to payroll matters.

Cause:

During the year under audit, policies and procedures related to processing payroll and related transactions were either not in place, or were not clearly defined.

Effect:

As a result, the following issues were identified during our audit:

- Documentation of approval for certain salaries was not documented or was outdated.
- Changes to the payroll master file (salaries, addresses, etc) are not tracked and reviewed for appropriateness.
- Eligibility and participation in pre-tax health insurance plan was not clearly defined.
- Errors were identified by the IRS on quarterly payroll tax returns filed by the Township.

Recommendation:

The Township should develop and implement formal policies and procedures related to payroll processing, and assign responsibility for human resources related activities and oversight to appropriate personnel.

Management's Response:

The Township has contracted with ADP to process payroll transactions and has begun to develop and implement policies and procedures related to payroll and human resources. The Township is also addressing the issue related to incorrect W-2 reporting, as well as other previously-identified payroll errors and compliance issues.

DUPAGE TOWNSHIP

Schedule of Significant Deficiencies March 31, 2019

Significant Deficiencies – (continued)

2019-06: Controls Over General and Emergency Assistance Program

Condition:

The Township does not have formally documented and enforced policies related to application, approval, documentation/record retention and disbursement of General Assistance funds.

Criteria:

Use of General Assistance funds is significantly restricted by state statutes. In order to ensure proper expenditure of these funds, the Township should develop and enforce written policies and procedures related to General Assistance.

Cause:

In the year under audit, and in prior years, the Township had informal policies and procedures related to use of General Assistance funds.

Effect:

Without appropriate policies and procedures in place, it is likely that General Assistance funds could be used for purposes that are not compliant with state statutes.

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.

Management's Response:

The Township has begun to develop and formalize policies and procedures relating to use of General Assistance funds.

DUPAGE TOWNSHIP

**Schedule of Management Comments and Recommendations
March 31, 2019**

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:

2019-07: Disbursements/ Purchase Order System

Description:

During the year under audit, the Township had no formal written policy on the purchasing and disbursement process. While purchases typically are accompanied by a Supervisor Voucher form, the forms are not pre-numbered and are not generated from the accounting system and could easily be manipulated. Certain disbursements selected for testing, including credit card charges, were not properly supported by appropriate documentation or signed vouchers. These transactions were not material to the financial statements.

Recommendation:

The Township has developed and begun to implement a formal written policy for purchasing and disbursements. The Township should be diligent in monitoring and enforcing this policy, and should consider enhancements to be made when a new software program is implemented. The Township should also consider incorporating writing policies and procedures related to documenting purchase authorizations and use of credit cards.

2019-08: Budgets

Description:

Expenditures exceeded appropriations for the following individual funds for the year ended March 31, 2019:

<u>Fund</u>	<u>Excess</u>
Banquets Rentals Fund	<u>\$ 37,791</u>

Additionally, we identified certain clerical errors within the budget document. The sum of all expenditures in the General Fund does not agree to the total expenditures reported on the summary page because Administrative Commodities of \$13,800 was not included in the expenditures total.

Recommendation:

Township management should carefully monitor each fund to ensure that expenditures do not exceed appropriations. Additionally, the budget should be thoroughly reviewed for errors prior to approval by the Board.

DUPAGE TOWNSHIP

Schedule of Management Comments and Recommendations March 31, 2019

2019-09: Bank Reconciliations

Description:

Although at the end of the year, bank reconciliations were performed, throughout the year bank reconciliations were not completed in a timely manner.

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 engaged Klein Hall CPAs to complete all bank reconciliations.

2019-10: Accounting for Capital Assets/Long-Term Liabilities

Description:

The external auditors maintain the Township's listing of capital assets and schedule of long-term liabilities 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.

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 liabilities.

The Township has engaged Klein Hall CPAs to assist with fiscal duties and management should work closely with the firm implement a strong system of internal controls related to tracking and reporting capital assets, and long-term liabilities.