



D A M , S N E L L & T A V E I R N E , L T D .

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MATTHEW DABROWSKI, CPA
BARBARA HARPOLD, CPA
SCOTT LANNERS, CPA

To the Town Supervisor
And Board of Trustees
Burton Township
Spring Grove, Illinois

In planning and performing our audit of the financial statements of the governmental activities and each major fund of Burton Township as of and for the years ended March 31, 2018 and March 31, 2019 and the five months ended August 31, 2019, in accordance with auditing standards generally accepted in the United States of America, we considered Burton 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 Burton Township's internal control. Accordingly, we do not express an opinion on the effectiveness of Burton Township's internal control.

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 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.

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses. Given these limitations during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Other Matters

We generally discuss a variety of matters, including the application of accounting principles and auditing standards with management each year prior to retention as the Township's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention. In addition we have the following observations and comments which were fully discussed with the Township's accounting staff during our audit:

General Comments

Interfund loan balance.

- At March 31, 2018, the Permanent Road Fund owed the General Fund \$589 for payroll taxes paid on the fund's behalf and the Road and Bridge Fund owed the General Fund \$703 for Road District Treasurer payroll and telephone expenditures paid on the funds behalf. This loan was repaid in April 2018.
- At March 31, 2019, the Permanent Road Fund owed the General Fund \$640 for payroll taxes paid on the fund's behalf and the Road and Bridge Fund owed the General Fund \$1,141 for Road District Treasurer payroll and telephone expenditures paid on the funds behalf. This loan was repaid in April 2019.
- At August 31, 2019, the Permanent Road Fund owed the General Fund \$597 for payroll taxes paid on the fund's behalf and the Road and Bridge Fund owed the General Fund \$64 for telephone expenditures paid on the funds behalf. This loan was repaid in September 2019.

Segregation of duties and control procedures. Since the Township has a small staff, proper segregation of duties is difficult to achieve. The Township Supervisor and Clerk are currently responsible for cash receipts and disbursements. Bank reconciliations and maintenance of the general ledger is performed by an outside accountant with all information coded by the Township. As compensating controls over cash disbursements, we noted that the Township utilizes dual signatures, and requires all invoices to be approved prior to check preparation. We recommend that the Township continue these practices and integrate additional compensating controls as deemed necessary.

The Township presently employs various control activities, as noted above, to prevent financial misstatement or fraud. An important component is proper instruction of parties charged with implementing controls. When there is turnover in a key position, it is important that the control procedures are reviewed and proper instruction is given to ensure the controls remain effective.

Uncollateralized cash balances

The Township's investment policy requires that cash balances be fully collateralized. During our audit we noted the following uncollateralized balances at the end of the periods as follows:

- At March 31, 2018, the Township had an uncollateralized cash balance of \$288,213.
- At March 31, 2019, the Township had an uncollateralized cash balance of \$313,860.
- At August 31, 2019, the Township had an uncollateralized cash balance of \$345,957.

We recommend that the Township review cash balances to ensure that the Township is properly collateralized.

Personnel Files. During our testing of payroll, we noted that required forms (W-4s and I-9s) were missing from all personnel files tested. The Supervisor has indicated that he will obtain the necessary forms to complete all employee personnel files. To ensure that all personnel files are complete, it is recommended that the Township prepare a checklist, to be kept in each file, which documents all the required information. Employers who fail to comply with the Form I-9 employment verification requirements, including completing and retaining Form I-9 correctly, may be subject to civil and criminal penalties. The civil penalty for paperwork violations alone can range from \$216 to \$2,156 per form.

IMRF requirements. We noted that the Township is not currently participating in IMRF. The Township should review and document the number of hours that employees work (including elected officials) to determine if they meet the IMRF annual threshold of 600 hours (or 1,000 hours if elected by the Township). Elected officials have the option to participate in IMRF, so if it is determined that an employee is eligible, participation in IMRF should be reviewed.

Fund balance classification. The Township has implemented Governmental Accounting Standards Board (GASB) Statement No. 54 – Fund Balance Reporting and Governmental Fund Type Definitions. This statement's objective is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. As a result, we recommend that the Township formalize a policy regarding fund balance classifications.

Capitalization policy. We noted that that Township did not have a formal capitalization policy for the recording of fixed assets. A capitalization policy defines the dollar threshold by which expenditures will be capitalized. In addition, the policy should document the method (i.e. straight line) that will be used to depreciate the assets, as well as the estimated useful lives for each capital asset category. We recommend that the Township create and approve a policy and update it as considered necessary.

Authorized bank signers. As a result of the audit procedures performed, we did not note any unauthorized signers. As a reminder, when there is turnover on the Board, we recommend that the Board review the authorized bank signers to ensure that they are updated accordingly.

Annual risk assessment. An annual risk assessment of the Township will help identify the most likely risks of financial misstatement or fraud. This will help the Board and staff to be aware of these risks, and be better able to design procedures to prevent and/or detect the misstatement or fraud from occurring. We recommend a risk assessment be done at least annually and be documented in writing.

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

We appreciate the opportunity to be of service to the Township and wish to thank the staff for their assistance and courtesies extended to us during the course of our fieldwork. If you have any questions or comments, feel free to contact us.

Sincerely,

Dam, Snell & Taveirne, Ltd.

Dam, Snell & Taveirne, Ltd.
Fox Lake, Illinois
January 6, 2020