

Sarah Gibbens
Certified Public Accountant

910 West Broadway Blvd
Johnston City, IL 62951
sarah@gibbenscpa.com

Phone 618/983-5929
Fax 618/983-5929

Board of Trustees
Makanda Township
Carbondale, Illinois

In planning and performing our audit of the financial statements of the governmental activities and each major fund, and the aggregate remaining fund information of Makanda Township as of and for the year ended March 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered the Makanda 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 the Makanda Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Makanda 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 did not identify any deficiencies in internal control that we consider 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 did identify the following to be significant deficiencies:

1. Cash deposits at Banterra Bank were undercollateralized as of March 31, 2021, by \$127,157. This creates a risk of loss for the Township in the event of bank failure. Deposits in excess of the FDIC limit should be collateralized in order to mitigate the custodial credit risk.
2. The budget of the Fire Protection Fund was modified in October, 2020. This modification transferred less than 10% per line item and as a result, a hearing was not required. It was mentioned in the minutes that the Fire Chief revised the fire budget. However, the details of the revision was not recorded in the minutes as required.
3. Segregation of duties is difficult to achieve in a small entity, therefore, compensating controls are required to mitigate fraud risk. Currently, checks are signed by the Supervisor and stamped by the Clerk as an attest. I recommend that the trustees contact the bank and require 2 signatures on each check.
4. A signature stamp creates an opportunity for errors and irregularities if the stamp is not safeguarded against unauthorized use. Currently, the Township Clerk uses a signature stamp. The Township Clerk should ensure that the stamp is secure at all times with the Clerk being the only person to have access to and use the stamp.
5. 60 ILCS 1/80-20 requires the Township to have an independent audit committee, composed of 3 electors, inspect the Township records in the years that a CPA audit is not required and provide a report with their findings. This report should be filed with the Township Clerk and the County Clerk. An audit committee did inspect the records but there is no record in the minutes of the report being presented to the board.

6. Total expenditures of the combined Township and Road District for the year ended 3/31/21 were \$304,563. Of this amount, \$117,973, or 38.7%, was paid to one vendor, McMurphy Excavating. The minutes do not discuss any bid process or cost comparisons. I suggest that the board either request bids to secure the lowest price or document in the minutes why bids were not requested.
7. Board oversight is a critical component of internal control in small entities where segregation of duties is not possible. Two of the above comments relate to information that either is not being presented to the board or is not being adequately documented in board minutes. Complete and accurate minutes are necessary to provide clarity on the oversight and intent of the Board.

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

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Johnston City, IL
October 11, 2021

Audit Response

1. The situation described occurred March 5 – April 28, 2021. Banterra was told why we were keeping \$249k in savings at their bank and that everything was covered by FDIC.
2. Fire Protection budget modification was less than 10% per category, so no budget revision hearing was required.
3. Done
4. Done
5. The audits were done and mentioned to the board but not reflected in the minutes.
6. Former Highway Commissioner Dan Williams conducted projects of less than \$20,000; therefore, no bids were required. He sought bids from heavy equipment owner/operators on his own at times.

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