

To the Township Board  
Bertrand Township  
Buchanan, Michigan 49107

In planning and performing our audit of the financial statements of Bertrand Township for the year ended March 31, 2004, we considered the Township's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements. The consideration we gave to the internal control structure was not sufficient for us to provide any form of assurance on it. However, we noted certain matters involving the internal control structure and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions are significant deficiencies in the design or operation of the internal control structure that have come to our attention and, in our judgment, could adversely affect the Association's ability to record, process, summarize, and report financial data consistent with management's assertions inherent in the financial statements. This report contains items considered to be reportable conditions, as defined above, as well as other items we feel warrant your consideration.

## **FINANCIAL OVERVIEW**

During the fiscal year ended March 31, 2004, the Township experienced fund balance growth in both the General and Fire Funds. Revenues exceeded expenditures by nearly \$28,000 in the General Fund and approximately \$22,000 in the Fire Fund. We commend the Board for their planning and budgeting. While several municipalities are experiencing difficulties during the recent uncertain times, the Township has positioned itself well for handling potential adverse circumstances with fund balances of approximately \$760,000 and \$190,000 in the General and Fire Funds, respectively.

## **SEGREGATION OF DUTIES**

Control over cash receipts transactions is limited because of insufficient segregation of duties. The same individual accepts cash receipts, records cash receipts, prepares and makes bank deposits, reconciles bank statements and posts cash receipts to the general ledger. However, at this time, management feels that it is not cost effective to add personnel. While it is not cost effective to add personnel, having the Clerk post cash receipts to the Quickbooks general ledger and comparing totals to the Treasurer's total deposits will provide some additional internal control.

## **STATE SHARED REVENUE AND BUDGETING**

Municipalities in Michigan have and will continue to feel the effects of the slow down in the State's economy. State shared revenue accounted for approximately 38% of the Township's total General Fund revenue for the fiscal year ended March 31, 2004. Slower than anticipated growth in the State's sales tax collections (the sole source of revenue sharing payments to local units of government) and the State's budget problems which have resulted in additional appropriation reductions.

While it is generally acknowledged that the State's budget woes will continue for several more years, we urge the Township to be conservative in its estimation of state shared revenue as this line item in the State's budget remains vulnerable.

## **ELECTRONIC TRANSFERS**

There was a new bill passed and signed on December 31, 2002 (PA 738) that requires all local units of government to approve a resolution authorizing payments of "automated clearing house (ACH) transactions." Beginning immediately, a local unit's governing body must adopt a policy on ACH arrangement that includes all of the following:

- Designation of an individual as the party responsible for payment approval, accounting, reporting and compliance with the ACH policy;
- A statement that this individual is required to submit documentation as follows: describe the goods or services purchased, the cost, date of payment, and the department benefiting from the purchase;
- A system of internal controls to monitor the use of ACH transactions; and
- The approval of ACH invoices before payment.

While the Township does not currently use electronic transfers, we recommend that a resolution be adopted in anticipation of future use. We would be happy to provide a sample resolution.

## **CONTROL OVER CASH RECEIPTS**

It appears that bank deposits are still not made very frequently. While all cash receipts are now kept in a safe at the Township Hall, we recommend making regular deposits at least on a weekly basis.

## **SINGLE AUDIT REQUIREMENT FOR FISCAL 2005**

The Township has secured a grant for the Water Tower Project of approximately \$1,000,000 of which approximately \$800,000 is from federal sources. If the Township expends at least \$500,000 of the federal monies in any one fiscal year, which it plans to do in fiscal 2005, a compliance audit under OMB Circular A-133 will be required. We commend the Township for enlisting the assistance of a professional grant administrator with this project. The administrator will be able to provide much of the needed information for the A-133 audit that will most likely be necessary.

## **OLD OUTSTANDING CHECKS**

During our audit testing, we noted several outstanding checks on the general checking bank reconciliation from the years 2000 through 2002. We recommend that the Township consider following up on these checks and making appropriate adjustments.

## **INSPECTION RECEIPTS AND INVOICES**

We noted that the code inspectors are being paid based on invoices that they issue to the Township monthly or bi-monthly. While these invoices are being reviewed to see that they include only permits that the Township has a record of issuing, they are not being reconciled to cash receipts. The receipts are being deposited by a person independent of this invoice review process. Therefore, it is possible that the Township could pay an inspector for a permit and never receive the funds from the property owner.

## **NEW REPORTING MODEL – GASB 34**

As you know, the Township adopted a new accounting pronouncement, GASB 34, as of April 1, 2004. GASB 34 will significantly change your financial statements, adding additional time and effort to produce them. Understanding the implications of this pronouncement is crucial, as the Township will need to develop a specific plan on how to derive some of the new data that will be required by the new rules. We will be working with Township staff during this implementation process.

We appreciate the courtesy and cooperation extended to us by you and members of your organization during the audit. We appreciate the opportunity to present these recommendations for your consideration and would be pleased to discuss them further at your convenience.

*Plante & Moran, PLLC*

June 8, 2004