

To the Members of the Township Board
Hartford Township
Hartford, Michigan 49057

In planning and performing our audit of the financial statements of Hartford Township for the year ended March 31, 2003, we considered the Township's internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the 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 Township'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.

SEGREGATION OF DUTIES

Control over cash transactions is limited because of insufficient segregation of duties due to a limited number of personnel. Management feels that it would not be cost effective to hire additional personnel at this time.

GENERAL LEDGER

During our testing of the general ledger, we noted that the Cemetery Trust Fund CD's and other interest bearing bank accounts were not adjusted for interest earned. We recommend that these CD's and cash accounts be reconciled monthly and that the reconciliations be reviewed by a separate individual to ensure that the proper balances are recorded in the general ledger.

CONTROL OVER CASH RECEIPTS

During the course of our testing of cash receipts, we noted that deposits are not made very frequently. We recommend making regular deposits at least on a weekly basis.

UNALLOWED EXPENDITURES

Elected officials, as well as management, should become familiar with what might be considered potentially unlawful expenditures. The State of Michigan website has provided a reference for local government officials, employees and governmental auditors of selected references that address some of the questionable expenditures of local government. Some of the unlawful expenditures noted are as follows: contributions to non-profit organizations, donations to a private ambulance or EMS service not under contract with the governmental unit, donations – including use of property or equipment to Little League, Scouts, Big Brothers/Sisters, office refreshments and picnics, flowers to the sick or departed, presents to officials and employees or retirement recognition events, etc. A more inclusive listing can be found at the State's website @ http://www.michigan.gov/treasury/1,1607,7-121-1751_2194-7603--,00.html.

COMBINATION OF FUNDS

The Township continues to maintain a separate fund for liquor license refunds. While it is acceptable to maintain this separate fund, Township records could be simplified by combining this fund into the General Fund as a separate activity. This would reduce the preparation and adoption of one budget, eliminate separate reporting of this fund, and reduce the overall reconciliation process.

MAINTENANCE OF TOWNSHIP RECORDS

During our audit, it was noted that some of the Township's records are being stored off-sight at a board member's personal residence. We would highly recommend that the Township maintain all records at the Township Hall for safekeeping purposes, unless the Board authorizes the member by resolution, to keep records at home. Any records destroyed then become the responsibility and liability of the Board member.

WEBSITE DEVELOPMENT

Many municipalities are currently developing or refining their websites. Many municipalities have websites, which include information such as calendar of events, election information, property taxes and assessment information, and availability to pay property taxes and utility bills on-line. Through providing these services on-line, the website may reduce the many routine inquiries that real estate agents make regarding property located in the City, and reduce the amount of staff time spent on the telephone helping them sort out information which could be provided electronically. We can assist your organization in implementing a website to achieve the level of service the Township wishes to provide its residents.

CREDIT CARD AND ACH TRANSACTION POLICIES

During our audit, we noted that the Township does not have Board approved credit card and ACH transaction policies on file as required by the State of Michigan. While, the Township is not currently utilizing credit cards or ACH transactions, we recommend the Township adopt these policies following the State's guidelines for use in the future. We have provided sample resolutions to the Township Supervisor.

NEW REPORTING MODEL – GASB 34

As you know, the Township will be adopting a new accounting pronouncement, GASB 34, beginning April 1, 2004. GASB 34 will significantly change the Township's 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 the next year to prepare for this.

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

Plante & Moran, PLLC

December 16, 2003