

Treasurer's Area of Responsibility
Detailed Corrective Action Plan for Scio Township

by Donna E. Palmer, Treasurer

January 30, 2023

Response to TIF not being properly calculated:

As with the other financial shortfall issues, Scio Township's largest problem is lack of staffing. Scio had some key people retire. We reassigned duties but staff have struggled to keep up. This error was caused when a key report was mistakenly run that included both IFT numbers with ADVal numbers. We have since stepped back and made sure that both the Treasurer and Deputy Treasurer check the reports to make sure they are run properly.

County Millage's not being billed:

This issue occurred because the County sent us a new L-429 where they had written "corrected" in the upper right hand corner detailing a number of levies. There was a blank line at the bottom of the form and the amounts were not totaled. What we did not realize and had no way of knowing, was there was a second page to the report. The first page did not indicate that there was a second page. We were unaware there was supposed to be a second page until the tax roll was sent to the County for settlement. The County notified us and sent us a copy of the second page. Since then the County has made changes to how they are issuing the form and we are double checking via email that we have the correct total before proceeding.

Special Assessments not being billed:

We do not understand why this issue occurred. The person who had been responsible for calculating Special Assessments retired. In November of 2021 the Treasurer appointed a full time Deputy Treasurer for the first time. This person returned to help the Treasurer and the new Deputy to prepare the winter tax roll. We believed that all of the special assessments had been calculated but later, after tax bills had been sent, realized that three of them had not calculated. When preparing the winter 2022 tax roll we went through the special assessments multiple times to ensure that each one had calculated. Then we randomly checked tax bills in each district to make sure the charges were in fact on the bill. This change in procedure should ensure that no special is missed in the future.

Late Distribution of Tax Collections/Providing Quarterly Investment Reports to the Board:

The late distribution of collections was related in part to the lack of adequate staff. At times this created the lack of hours to do the required tasks. We are addressing this problem by hiring additional help.

The quarterly investment reports process has been addressed and will be provided as required.

Cash Receipts and Deposits:

Daily cash receipts are balanced at the end of the day and put in the safe for deposit the next day along with the check payments. It is not possible to deposit the same day as received. The purchase of the safe was to make our process even more secure.

Clerk's Area of Responsibility
Detailed Corrective Action Plan for Scio Township

by Jessica M. Flintoft, Clerk
January 30, 2023

Deficiency:

Actual expenditures exceeded the amounts authorized in the budget. Please describe actions being taken to prevent budget variances.

Planned Corrective Action Steps:

We have initiated an internal process to better coordinate with the Township's Land Preservation Commission, the committee that advises the Board of Trustees on proposed expenditures from the Open Space Land Preservation Fund. In recent years, the Township has seized opportunities to conserve key pieces of open space, resulting in several significant authorizations by the Board of Trustees. However, the Board of Trustees has not consistently amended the budget prior to making these authorizations, especially with expenditures from the Open Space Fund. Apparent in FYE22 is the Board's oversight in not budgeting prior to authorizing the conservation of the Loveland property, a \$314,041 transfer made on March 29, an individual expenditure that exceeds 10% of total expenditures. Further, the Open Space Land Preservation Fund was over budget by 10% or more.

This issue will be corrected immediately. The Clerk and Manager will educate the members and staff of the Land Preservation Commission about the requirements of the Uniform Budgeting and Accounting Act. Going forward, all major authorization requests recommended by the Land Preservation Committee to the Board of Trustees shall be additionally reviewed by the Manager and/or the Clerk so that any required budget amendment be proposed to the Board of Trustees prior to requested authorization.

The actual expenditures that exceeded the amounts authorized within the General Fund were within the General Government (101) Activity and the Capital Outlay (900) Activity. Currently, no staff person is assigned responsibility for monitoring the budget to actuals for either of these Activities. Beginning with the adoption of the FYE24 appropriations resolution, each Activity of the General Fund and each other Fund shall be assigned to a particular position within the organization for monitoring throughout the fiscal year, and these assignments shall be documented in an appendix of the Township Procurement and Purchasing Policy.

Deficiency:

There were reported deficiencies included with the audit report. Additional deficiencies in your report are usually found in the form of comments and recommendations located toward the end of the report. Describe the corrective action taken to eliminate each of these deficiencies.

Planned Corrective Action Steps:

The Township will address the *Segregation of Duties* deficiency this year by improving the internal controls over the accounting records contained within the BS&A Financial Modules, and by improving the internal controls within the Township's operational practices.

Also, in recent months, the Township Board has seated three new Trustees and a new Interim Manager. They have been briefed on the deficiency and are engaged in potential solutions working with the Clerk and the Board of Trustees as a whole.

Currently, the following efforts are underway that, together, may allow the Township to correct this issue: 1) The Board of Trustees is currently recruiting for a qualified Finance Director; 2) the Board of Trustees is engaging a qualified contractor for immediate financial support to bring the accounting records up to date for current Fiscal Year; 3) the Clerk is developing a proposed written Township policy for User Access to BS&A Financial Modules which would strengthen the internal controls over the accounting records; 4) the Clerk will prioritize development of a proposed written Township policy regarding internal controls over financial operations. Together, these efforts should help the Township correct this deficiency.

The Township will address the *Audit Adjustments and Supporting Schedules* deficiency this year. The Township currently lacks sufficient financial staff to properly maintain the accounts, journals, and ledgers throughout the year. This resulted in the auditor needing to recommend several adjustments to management, which were made, in order for the financial statements to be presented in accordance with GAAP and current GASBs.

Currently, the following efforts are underway that, together, may allow the Township to correct this issue: 1) The Board of Trustees is currently recruiting for a qualified Finance Director; 2) the Board of Trustees is engaging a qualified contractor for immediate financial support to bring the accounting records up to date for current Fiscal Year, thereby avoiding need for extensive year end adjustments; 3) the Board of Trustees has indicated that they understand that the Township will likely need to commit more resources to onboard sufficient qualified finance staff to properly maintain the journals and ledgers. Together, these efforts should help the Township correct this deficiency.

Deficiency:

There is non-compliance with guidance issued by the Community Engagement and Finance Division of the Department of Treasury. Please provide an explanation.

Proposed Corrective Action Steps:

The Clerk will share the following guidance issued by the Local Government Financial Services Division with the Board of Trustees, finance and treasury staff, and all staff responsible for budgetary centers: *Uniform Budget Manual, Audit Manual, Uniform Accounting Procedures Manual*. The Township is currently 'in the queue' with BS&A awaiting conversion of its Chart of Accounts to come into compliance with the *Uniform Chart of Accounts* as soon as possible, hopefully prior to March 31, 2023. Then, the Clerk and Manager will set up an internal workshop and training session on the new Chart of Accounts, for all impacted staff.

The Clerk, Treasurer, Deputy Treasurer & Deputy Supervisor, and Finance Manager are all subscribed to Michigan Treasury updates, directly receiving newly issued Numbered Letters and other guidance. Further, the Finance Manager and Clerk are active members of Michigan Government Finance Officers Association, receive updates and training opportunities from auditor Plante Moran, and stay abreast of updates from the Michigan Townships Association of which Scio Township is a member. Further, the Township's short term financial consultant who will soon be onboarded will advise on compliance with GAAP and current GASBs.

Violation of Statute:

There are other violations of statute. Please provide a description.

"The Township is not in compliance with Public Act 202 of 2017 and has not set up a trust to pay retiree insurance premiums for the year, as well as the normal costs for the new employees hired after June 30, 2018."

Proposed Corrective Action Steps:

As of March 31, 2022 the Township's total OPEB liability was \$1,164,180. Since then, the Board of Trustees has enacted the first of three steps to eliminate the Township's unfunded OPEB liability.

First, in fall 2022, the Board of Trustees ratified a new union contract, and appropriated sufficient funds to authorize payments of benefits to the current eligible unionized employees MERS Health Care Savings Program accounts, and to offer only Health Care Savings Program accounts for future eligible unionized employees.

Second, this spring, the Board of Trustees plans to consider adoption of a policy that would similarly convert the retiree healthcare benefit for all current full time eligible non-unionized employees, and all future eligible employees, to Health Care Savings Program accounts only.

Third, this spring, the Board of Trustees plans to consider either: establishing a trust for current retirees and maintaining the current retiree benefit program throughout their lifetimes, or converting the program to Health Care Savings Programs for current retirees as well.

Violation of Statute:

There are other violations of statute. Please provide a description.

“The Township is not in compliance with Public Act 2 of 1968 as it budgeted as a deficit in the fire department fund.”

Proposed Corrective Action Steps:

During the year, the Board of Trustees amended the Fire Department Fund budget to -\$1.5 million in transfers out, and actual transfers out were -\$1.5 million. This resulted in amended budget fund balance of -\$501,353. This negative fund balance was the result of an accounting adjustment made moving the liability of \$1.5 million from the Fire Station Renovation Fund appearing as an “advance from other funds” on page 12 of the Financial Report with Supplemental Information March 31, 2021, prior year audit. The -\$1.5 million interfund transfer was initiated by Board action in November 2020 when it authorized a ‘loan’ from the General Fund to the Fire Fund to renovate the fire station. The fire station is renovation is complete.

To correct the negative fund balance in the Fire Fund, the Board of Trustees plans to consider action at our upcoming February 14, 2023 Regular Meeting to exterminate the ‘loan’ from the General Fund, thereby relieving the liability in the Fire Fund. If the Board of Trustees adopts this proposed measure, the Fire Department Fund Balance will be positive immediately. The Board of Trustees is aware that no fund balance should be negative, especially such an operating fund as the Fire Department Fund.