

*Will Hathaway, Supervisor
Jessica Flintoft, Clerk
Donna E. Palmer, Treasurer*

Township of Scio

*Trustees: Mark Brazeau
Jillian Kerry
Kathleen Knol
John Reiser*

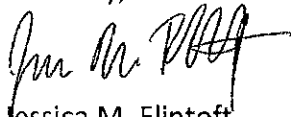
October 31, 2023

Cary Jay Vaughn
Local Audit and Finance Division
Department of Treasury
P.O. Box 30278
Lansing, MI 48909-8228
Via Upload to MI Treasury

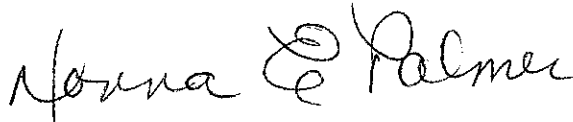
Dear Mr. Vaughn,

Please find enclosed the Corrective Action Plan submitted on behalf of the Township of Scio (Washtenaw County) for Fiscal Year 2023, as requested in your October 2nd letter. Please contact us if you have any questions, or need any additional information.

Sincerely,



Jessica M. Flintoft
Township Clerk



Donna E. Palmer
Township Treasurer

Treasurer's Area of Responsibility**Detailed Corrective Action Plan for Scio Township Fiscal Year: 2023****Municipality Code: 811140 Report ID Number: 147849**

by Donna E. Palmer, Treasurer

October 31, 2023

Deficiency:

Tax Collection Fund – over-disbursed and under-disbursed property taxes to other taxing units.

Planned Corrective Action Steps:

The Township is in the process of having its operational areas documented with policies, practices, and procedures. We anticipate having this done within 60 days. The Treasurer may rely on the Interim Finance Director to assist in the documentation of the Treasurer's Office standard operating procedures. Once the standard operating procedures of the Treasurer's Office are documented, the Treasurer's staff will be cross trained on the Tax Collection Disbursement process so that more than one person may report the tax collection disbursements.

Violation of Statute:

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

"The Township is not in compliance with Public Act 206 of 1893, The General Property Tax Act, and has not distributed tax revenue that was collected for another taxing unit timely. During the year, there were instances when the Township's distribution of tax revenue to other taxing units was in excess of 15 days."

Planned Corrective Action Steps:

Within three days of the close of the collection period, the Treasurer or Deputy Treasurer will run the Quick Tax Disbursement Report from BS&A for that period of time, e.g., October 1st through October 15th. Then, Treasurer or Deputy Treasurer will verify the disbursement amounts, and transit to Finance Manager with request to issue checks. The Treasurer or Deputy Treasurer will mail or otherwise deliver the checks by the deadline, e.g. October 30th.

Clerk's Area of Responsibility

Detailed Corrective Action Plan for Scio Township Fiscal Year: 2023

Municipality Code: 811140 Report ID Number: 147849

by Jessica M. Flintoft, Clerk

October 31, 2023

Deficiency:

Actual expenditures exceeded the amounts authorized in the budget. Please describe actions being taken to prevent budget variances. Expenditures in the Open Space Fund exceed revenues by \$676,685.

Planned Corrective Action Steps:

The Township Clerk, Manager, and Attorney have been engaged in an internal process over the past year 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, there has not been sufficient coordination with the Finance staff regarding these purchases or grant application. This past year, the Board of Trustees authorized a purchase that relied upon award of a USDA contribution as matching funds. The Township was a participant in this agreement, whereby the contribution would be awarded to the title company at closing. However, the USDA award was delayed. The Board of Trustees appropriated local funds to cover the expected match and received the USDA award directly just after year end.

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, the Clerk, Manager, and Finance Team will develop a Grants Policy for consideration by the Board of Trustees—a policy that, at minimum, will require notification to Finance about the Grants being sought so that the Finance team may learn and understand what financial reporting requirements there may be.

Deficiency:

Segregation of Duties—individuals with access to post adjustments to the general ledger also had access to cash receipt and custody functions during the year.

Planned Corrective Action Step:

The Township Clerk will continue to try to 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.

Deficiency:

Capital Assets—some capital assets not recorded and some non-capital assets recorded as capital.

Planned Corrective Action Step:

The Township has lacked sufficient financial staff to properly maintain the accounts, journals, and ledgers throughout the year. The Clerk, Manager, and Finance team will work together to develop a Capital Assets Policy for consideration Board adoption. This Capital Assets Policy would provide guidance to Finance staff on what is and is not a 'capital asset.' This effort will be supported by the planned implementation of the Fixed Assets module of BS&A. During the course of this year's audit, land easements were identified as a category of capital assets that have not been consistently recorded properly. The Finance team will ensure that land easements are properly recorded going forward.

Deficiency:

Audit Adjustments: related to material amounts for grant moneys.

Planned Corrective Action Step:

The continued engagement with the Land Preservation Commission and its staff, development of a Grants Policy, and development of a Capital Assets policy—all corrective action steps discussed above—will address this issue. The audit adjustments were necessary because grant revenue and expenditures within the Open Space Fund were not recorded properly. With more training and policy guidance this year, the Finance Team will be able to account for these properly.

Deficiency:

Utility Billing Adjustment and Supporting Schedules

Planned Corrective Action Step:

Already the Finance Team has implemented two new procedures to prevent this issue. First, the Finance Team is running an Abnormal Usage Manager after each billing cycle. This report flags especially high usage, negative usage, or other abnormal data that need to be examined further for issues. Second, monthly, the Finance Team is recording a Monthly Adjustments Log noting the reasons for any billing adjustments made throughout the year.

Deficiency:

Adoption of New Accounting Standards

Planned Corrective Action Step:

Currently, the following efforts are underway that, together, may allow the Township to correct this issue 1) The Board of Trustees has approved a contract with Plante Moran to act as Interim Finance Director who is engaged to bring immediate financial support and to bring the accounting records up to date for current Fiscal Year and thereby avoiding the need for extensive year-end adjustments; 2) The Board of Trustees has approved the hiring of a Finance Assistant who will bring immediate assistance in bringing the accounting records up to date for current Fiscal Year.

Deficiency:

Manual Adjustments to the General Ledger—supporting documentation did not agree and was not attached to manual journal entry.

Planned Corrective Action Step:

The Clerk has reminded the Finance Team of the requirement to attach supporting documentation to manual journal entries. This is the Township's regular practice. Within 60 days, this practice will be documented as part of the Township's effort to document standard operating procedures in Finance.

Deficiency:

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

Planned Corrective Action Steps:

The Treasurer, Deputy Treasurer, Clerk, Interim Finance Director, Finance Manager, and Finance Assistant are all subscribed to Michigan Treasury updates, directly receiving newly issued Numbered Letters and other guidance. Further, the Finance Manager and Finance Assistant are active members of Michigan Government Finance Officers Association and stay abreast of updates from the Michigan Townships Association of which Scio Township is a member. Further, the Township's Interim Finance Director will advise on compliance with GAAP and current GASBs.

Violation of Statute:

The Township is not in compliance with Public Act 202 of 2017 and has not paid the normal costs for the new employees hired after June 30, 2018.

Planned Corrective Action Steps:

This issue was properly addressed, though after year-end. We do not expect that this will be an issue in the coming years. The Township opened a Retiree Health Funding Vehicle with MERS in April 2023 (after year-end) and contributed \$200,504. The Township intends to, on an annual basis, correctly contribute the normal costs for employees hired since 2018.

Violation of Statute:

"The Township is not in compliance with Public Act 2 of 1968 as it budgeted as a deficit in the East Delhi Bridge Maintenance Fund."

Planned Corrective Action Steps:

To correct the negative fund balance in the East Delhi Bridge Maintenance Fund, the Board of Trustees adopted a Resolution at the October 24, 2023 Regular Meeting to eliminate the deficit from the East Delhi Bridge Maintenance Fund by way of an interfund transfer from the General Fund. The Board of Trustees approved this measure and the deficit in the East Delhi Bridge Maintenance Fund fund balance has been remedied already.