

November 10, 2021

Corrective Action Plan for deficiencies under the Treasurer's responsibility.

Regarding the tax collections distributions to the other taxing units –

The growth in the Township has created the need for additional help in the Treasurer's office. The last two years dealing with the COVID restrictions magnified the problem.

I have appointed a full-time deputy and with the Township Board's approval. This appointment will also help resolve the issue of providing the Board with the required Investment reports. The Treasurer will now have the information needed to prepare the required report on the Investment activity for Township Funds.


Donna E. Palmer

Scio Township Treasurer

amendments entered into BS&A were not the same amounts of the budget amendments approved by the Board. We have ended this practice.

Beginning in FYE21, we have improved practices, rotating in additional finance staff into the role and greatly improving compliance with the Procurement Policy, and management of budgeted funds. Yet, finance staff still struggled to regularly produce month end reporting in a timely way, especially at year-end March 31. March 31, 2021 was no exception. In fact, at the time of preparing year-end budget amendments for approval by the Board on March 23, we hadn't yet even reconciled February much less March.

For the FYE21 budget process, we took a new approach to budgeting that led the Board and staff through a more robust budgeting process than in years past to make a more meaningful budget against which we could be held to account. A second finance staff person was tasked with proposing final budget amendments to the FYE21 budget, in accordance with state law. This finance staff person provided the best possible budget amendments as of March 23rd the date on which the Board adopted the budget amendments for FYE21 as well as adopting the budget for FYE22.

The two instances of during FYE21 where the Township incurred expenditures that were in excess of the amount budgeted were within two special funds which are adopted as a fund, not by activity as is the General Fund. And, had we kept up better on financial accounting, we would not have had these overages. In Fund 208-753 we approved invoices as late as April 23 for work completed by year end, for our some of our regular consultants and our attorney. In Fund 242, we had unusually high legal costs due to violation of a Township conservation easement, and should have brought that back to Board for a budget amendment.

Going forward, the General Ledger is reconciled monthly, and budget amendments are brought to the Board monthly. Further, our finance team is providing vendors more reminders, and will require all bills for work completed by 3/31 be estimated if not submitted by that date.

Deficiency: The Township should more fully comply with current guidance issued by the Local Government Financial Services Division (i.e., Uniform Reporting Format, Accounting Manual, Audit Manual, Budget Manual, Numbered Letters, MCGAA Statements).

Plan: The Clerk will share the following guidance issued by the Local Government Financial Services Division with the Board of Trustees, finance team, and all staff responsible for budgetary centers: *Uniform Budget Manual, Audit Manual, Uniform Accounting Procedures Manual, and the Uniform Chart of Accounts* which the Township will be implementing during FYE23. The Finance Manager, Clerk, Treasurer, and Deputy Treasury are subscribed to Treasury updates, directly receiving newly issued Numbered Letters and other guidance. Further, the Finance Manager is an active member of Michigan GFOA, receives regular updates and training opportunities from our auditor Plante Moran, and stays abreast of updates from the Michigan Townships Association of which Scio Township is also a member.



Jessica M. Flintoft
Scio Township Clerk

November 18, 2021

Corrective Action Plan for deficiencies under the Clerk's responsibility.

Deficiency: We had one reported deficiency in Township's internal controls that is considered to be a material weakness. During the audit procedures, our auditors identified an employee hired subsequent to the previous March 31, 2019 OPEB actuarial valuation that was not included in the census data for the OPEB actuarial valuation as of March 31, 2021. Although the impact on the total OPEB liability at March 31, 2021 was not material for this one individual, without adequate controls in place surrounding gathering and reviewing the census data, the actuarial valuation could be misstated, resulting in a potential material impact on the recorded net OPEB liability. The auditor recommended implementation of procedures controls to strengthen the OPEB census data gathering and review process.

Plan: The Township is augmenting its finance team so that more than one person is involved with preparing and submitting data for the audit or actuarial valuation processes. We will assign one person to prepare data and a second person to submit data, to reduce the likelihood of such errors. The Township is dedicated to cross training staff, documenting procedures, and hiring an additional member of the finance team so that duties can be better segregated to reduce the risk of such errors.

Deficiency: The Township is not yet 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.

Plan: The Board of Trustees is well aware of this issue, and will prioritize the required research and evaluation of alternatives to set up a trust in 2022. The Budget and Finance Committee will evaluate options, and bring to Board for deliberation and decision in calendar year 2022.

Deficiency: During the year, the actual expenditures did not remain within the amounts authorized in the budget. There were individual expenditures that exceed 10% of total expenditures. There were some over budget by 10% or more. Specifically, these overages were in Fund 208-753 Pathways and the Fund 242 Open Space Fund.

Plan: Prior to FYE21, the Township's budgeting approach was to purposefully budget revenues low and expenditures high, and for the Board to amend the budget only once a year at year-end to amend the budget to match actual expenditures. Prior to FYE21, these year end budget amendments were approved by the Board prior to year end (3/31). Then, final invoices and other expenses would be booked, providing finance staff with precise expenditures. The prior practice had been for finance staff to delay entering budget amendments into BS&A until mid-May, posting for 3/31. The budget