



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

GRETCHEN WHITMER
GOVERNOR

RACHAEL EUBANKS
STATE TREASURER

March 5, 2024

Township Board
Meyer Township
PO Box 185
Hermansville, MI 49847

Dear Board Members:

Pursuant to Public Act 2 of 1968, as amended, the Uniform Budget and Accounting Act, our examination of the Meyer Township's internal controls is complete. The township will have 90 days to retain the services of a certified public accountant to perform the needed additional services for those areas identified in our report. The township shall notify the Department of Treasury, by resolution, of such an action at LAFD_Audits@michigan.gov. Upon failure of the township to respond within the 90-day period, the Department of Treasury may perform the services as needed.

If you have any questions related to our review, please do not hesitate to contact myself or Yongping McDonnell, Audit Manager.

Sincerely,

A handwritten signature in black ink, appearing to read "Cary Jay Vaughn".

Cary Jay Vaughn, CPA, CGFM
Division Administrator
Local Audit and Finance Division



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Dear Board Members:

We have analyzed Meyer Township's internal control over financial reporting for the period of April 1, 2021 through October 31, 2023, based on criteria established in Public Act 2 of 1968, as amended, the Uniform Budgeting and Accounting Act. Meyer Township's management is responsible for maintaining effective internal control over financial reporting, and for the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on Meyer Township's internal control over financial reporting based on our analysis.

We conducted our analysis in accordance with standards established by the Michigan Department of Treasury. Those standards require that we plan and perform the analysis to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our analysis included obtaining an understanding of internal control over financial reporting and testing and evaluating the design and operating effectiveness of internal control. Our analysis also included performing such other procedures as we considered necessary in the circumstances. We believe that our analysis provides a reasonable basis for our opinion.

An entity's internal control over financial reporting is a process effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance regarding the preparation of reliable financial statements in accordance with accounting principles generally accepted in the United States of America. An entity's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the entity; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that receipts and expenditures of the entity are being made only in accordance with authorizations of management and those charged with governance; and (3) provide reasonable assurance regarding prevention, or timely detection and correction of unauthorized acquisition, use, or disposition of the entity's assets that could have a material effect on the financial statements.

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Because of its inherent limitations, internal control over financial reporting may not prevent, or detect and correct misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. All findings in our report, listed as Finding 2023-001 through Finding 2023-013, have been identified as material weaknesses.

In our opinion, because of the effect of the material weaknesses described above on the achievement of the objectives of the control criteria, Meyer Township has not maintained effective internal control over financial reporting period of April 1, 2021, through October 31, 2023, based on standards set by the Michigan Department of Treasury.

Sincerely,



Cary Jay Vaughn, CPA, CGFM
Division Administrator
Local Audit and Finance Division

MEYER TOWNSHIP
FINDINGS AND DIRECTIVES
MARCH 5, 2024

General Ledger

Finding 2023-001

Condition: The Township does not maintain a complete set of accounting records as all funds were accounted for in one fund in the accounting software. We found the following weaknesses with the current accounting system:

1. Journal entries were not used by the Township to record accruals, adjustments for errors, and other entries as deemed proper. Receipts are posted directly from the bank statements. No receipts are written. There is no original source document to indicate that the entry is valid.
2. The receivables and payables were not recorded.
3. Beginning fund balance does not agree to the prior audited fund balance.

Criteria: MCL 64.7 Section 7 states: "Unless otherwise provided by ordinance, the clerk shall do all the following:

- (a) Have charge of all the books, vouchers, and documents relating to the accounts, contracts, debts, and revenues of the corporation.
- (b) Countersign and register all bonds issued and keep a list of all property belonging to the township and of all its debts and liabilities.
- (c) Keep a complete set of books, exhibiting the financial condition of the township in all its departments, funds, resources, and liabilities, with a proper classification, and showing the purpose for which each fund was raised.
- (d) Keep an account of all the money received for each of the several funds of the township, and credit all check disbursements drawn, keeping an account with each fund.

MCL 141.421 Section 1 states: "The official who by law or charter is charged with the responsibility for the financial affairs of the local unit shall insure that the local unit accounts are maintained and kept in accordance with the chart of accounts.

The Uniform Accounting Procedures Manual issued by the Local Audit and Finance Division, Michigan Department of Treasury, requires townships to maintain a general ledger. Properly maintained, it is a valuable tool of management. Entries in the general ledger are made from: 1) the receipts journal; 2) the disbursements journal; and 3) the journal entry form.

Cause: The Township is utilizing small business accounting software instead of accounting software designed for governmental accounting.

Effect: Failure to post the complete accounting records on a timely basis may result in the following:

1. The financial condition of the township may not be readily determined.
2. The township board may not be able to make sound business decisions because it has incomplete financial data on which to make an evaluation.
3. The township board may obligate more funds than are available, which is a violation of the Uniform Budgeting and Accounting Act.

Directive: We direct the township to maintain a complete set of accounting records that would include all funds necessary to maintain a complete history of transactions. After setting up the proper funds, in accordance with the Uniform Chart of Accounts, the township should establish monthly procedures to assure that all transactions are posted, and that the general ledger is in balance. The monthly general ledger should be available within ten (10) days of the close of the month. The activity in the bank must reconcile back to the general ledger.

Uniform Chart of Accounts

Finding 2023-002

Condition: The Township uses descriptions without account numbers in some cases to post accounting records. This does not conform to the requirements of the Uniform Chart of Accounts.

Cause: The Township has not implemented the Uniform Chart of Accounts as required by the Michigan Department of Treasury.

Effect: The Township is not properly accounting for revenues and expenditures in accordance with state law.

Criteria: MCL 141.421 Section 1 states: "The state Treasurer shall prescribe uniform charts of accounts for all local units of similar size, function, or service designed to fulfill the requirements of good accounting practices relating to general government... The official who by law or charter is charged with the responsibility for the financial affairs of the local unit shall insure that the local unit accounts are maintained and kept in accordance with the chart of accounts. The state Treasurer may also publish standard operating procedures and forms for the guidance of local units in establishing and maintaining uniform accounting."

Directive: We direct that the Township Clerk assign fund, activity, and account numbers to all funds and accounts in accordance with the Uniform Chart of Accounts.

Clerk--General Ledger Duties

Finding 2023-003

Condition: The Township Treasurer performs all receipting, disbursement and general ledger duties. The only financial duty the clerk performs is maintaining the utilities billings and receivables and the signing of checks.

Criteria: MCL 41.65 states: "The township clerk shall also open and keep an account with the treasurer of the township, and shall charge the treasurer with all funds that come into the treasurer's hands by virtue of his or her office, and shall credit him or her with all money paid out by the treasurer on the order of the proper authorities of the township, and shall enter the date and amount of all vouchers in a book kept by the township clerk in the office. The township clerk shall be responsible for the detailed accounting records of the township utilizing the uniform chart of accounts prescribed by the state treasurer. The township clerk shall prepare and maintain the journals and ledgers necessary to reflect the assets, liabilities, fund equities, revenues, and expenditures for each fund of the township."

Cause: The current Township Treasurer has been responsible for maintaining the general ledger and this continued when the current clerk took office.

Effect: The Township was in violation of MCL 41.65.

Directive: We direct the Township to review the statutory duties of the Treasurer and Clerk. Changes to duties must be in writing and agreed upon (in writing) by the elected officials. However, the Township should follow the Accounting Procedures Manual issued by our department.

Timely Preparation of Bank Reconciliations

Finding 2023-004

Condition: The Township bank accounts were not reconciled in a timely manner and bank account balances were not reconciled to the general ledger or compared to the Treasurer's bank balances. We were unable to determine the last bank reconciliation that was performed as we requested bank reconciliations for FY 2021 and FY 2022, but none were provided to us.

Cause: The Township Treasurer did not reconcile the township bank accounts.

Effect: The Township did not have an accurate balance recorded in the general ledger of the funds in the bank account which could have resulted in disbursements being approved for which the account did not have sufficient funds.

Criteria: The Michigan Department of Treasury's Uniform Accounting Procedures Manual states, in part: "All cash accounts should be reconciled to their respective bank statements monthly. An authorized individual not responsible for the actual physical handling of the cash should reconcile

bank statements to the general ledger when possible. Bank statements and reconciliations must be retained for audit purposes.”

Directive: We direct the Township to implement adequate procedures to ensure all bank accounts are reconciled and agree to the general ledger on a timely basis.

Ability to Modify Computerized Transactions

Finding 2023-005

Condition: The Township’s accounting software (QuickBooks) does not prevent the deletion or modification of posted transactions. Management has not been making use of the “audit trail” feature available in the software package to track any modifications or deletions made to posted transactions.

Criteria: Computerized accounting systems should have some type of feature that either prevents the modification of transactions once posted or provides some type of audit trail for a reviewer to be able to track any modifications or deletions to posted transactions.

Cause: This condition is the result of a limitation in the software package used by the Township to maintain its accounting records.

Effect: As a result of this condition, the Township lacks internal controls over the alteration of posted general ledger and other transactions and enables inaccurate records.

Directive: The Township should contact the creators of the accounting software and inquire of any features included in the present version that could mitigate the risks associated with this issue without the ability by employees to circumvent the control. If no such feature is available, we recommend that management consider taking other action to address this risk.

Treasurer--Tax Collections and Distributions

Finding 2023-006

Condition: The Township Treasurer maintains a separate Current Tax Collection Account as required by the Accounting Procedures Manual for Local Units of Government. This account was not reduced to zero after the tax collection period was over. The County Treasurer has not received tax disbursements in a timely manner. Citizens checks have been cashed, but payments have not been applied to their tax accounts.

Criteria: Section 211.43 of the Michigan Compiled Laws (MCL) requires the timely distribution of current tax collections to the appropriate local unit Treasurers. The Accounting Procedures Manual requires that property tax collections be matched with the distributions to the taxing units whose taxes have been collected. To comply with this requirement, the Current Tax Collection Account must be reduced to zero or an imprest balance as soon as possible or after the tax settlement in March each year.

Cause: The Township Treasurer has not disbursed funds received by the tax fund, timely.

Effect: The Township is in violation of MCL 211.43. Also, the Township lacked the ability to use this money because timely bank transfers were not made.

Directive: The Township must reconcile the account and identify all balances that belong to the other units of governments, if any. These amounts should be disbursed to the appropriate entities in a timely manner.

Segregation of Duties

Finding 2023-007

Condition: As is the case with many organizations of similar size, the Township lacks a sufficient number of accounting personnel to ensure a complete segregation of duties within its accounting function, especially in the cash collection/receipting process, disbursement process, and payroll process. Ideally, no single individual should ever be able to authorize a transaction, record the transaction in the accounting records, and maintain custody of the assets resulting from the transaction. Effectively, proper segregation of duties is intended to prevent an individual from committing an act of fraud or abuse and being able to conceal it.

Criteria: Management is responsible for establishing and maintaining effective internal control over financial reporting and the safeguarding of the Township's assets. In establishing appropriate internal controls, careful consideration must be given to the cost of a particular control and the related benefits to be received. Accordingly, management must make the difficult decision of what degree of risk it is willing to accept, given the Township's unique circumstances.

Cause: The Township relies on its Treasurer to perform all accounting functions.

Effect: The Township is exposed to an increased risk that misstatements or misappropriations may occur and not be detected by management on a timely basis.

Directive: Although it is difficult to balance the costs and benefits of internal controls and the segregation of duties, we nonetheless encourage management to actively seek ways to further strengthen its internal controls by requiring as much independent review, reconciliation, and approval of accounting functions by qualified Township personnel as possible. The Township Clerk and Treasurer should also be performing their statutory duties.

Generally Accepted Accounting Principles-- Accruals

Finding 2023-008

Condition: Accruals (accounts payable, delinquent taxes) were not recorded for the governmental funds.

Cause: The Township maintains their records on the cash basis and relies on external auditors to prepare year end accruals.

Effect: The Township Treasurer and Clerk did not understand items that are required to be accrued at year end.

Criteria: Generally Accepted Accounting Principles (GAAP) require governmental funds to be maintained on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become susceptible to accrual, that is, when they become both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Measurable refers to the ability to quantify the amount of the revenue in monetary terms. Current expenditures are generally recorded when the fund liability is incurred, if measurable. GAAP also requires that receivables expected to be received within 60 days and accounts payable be recorded at fiscal year-end to properly match the fiscal year's revenues and expenses.

Directive: We direct the Township to record accruals at the end of each fiscal year. The accruals should be reconciled to subsidiary records to support the balances in the respective accounts within the general ledger.

Township Board--Capital Assets

Finding 2023-009

Condition: The Township did not maintain adequate internal controls for capital assets. A capital asset subsidiary record was not maintained in accordance with generally accepted accounting principles.

Cause: The Township did not assign the responsibility for maintaining the capital asset listing to a responsible person.

Effect: The Township lacks internal controls over capital assets, and instead relies, in part, on its external auditors for assistance with this duty.

Criteria: It is the responsibility of the Township to update the capital assets listing for additions and deletions. For the governmental funds, assets purchased during the year are recorded as capital outlay and should equal the additions to the capital asset records. Disposals should equal the reductions to the capital asset records. Depreciation expense is to be recorded in the capital asset records.

Directive: We direct the Township to develop a property management system that includes all of the following steps:

- 1) An inventory of all capital assets owned by the Township should be taken and included in the permanent records of the Township and updated annually.

- 2) All assets owned by the Township should be permanently labeled in some manner such as permanent individual tags. This will not only facilitate the inventory suggested above but will also make it more difficult for assets of the Township to be removed or used by unauthorized personnel.
- 3) As part of the property management system, the Township should keep a record of all assets owned by the Township which includes the following information:

-Date of Acquisition	-Salvage Value (if any)
-Tag Number (if applicable)	-Life of Asset
-Description of Property	-Depreciation Method of the Asset
-Original Cost of Asset	-Accumulated Depreciation of the Asset
-Location of Asset (including department)	-Annual Depreciation Expense
-Date of Disposal (when sold or scrapped)	-Net Book Value of the Asset
- 4) Capital assets that meet the Township's capitalization policy should be included on the capital asset listing.
- 5) Capital outlay/assets which are purchased under the established capitalization threshold or assets with life expectancy of less than 1 year, regardless of cost, should be classified as a supply or repairs and maintenance expenditure.

Developing a property management system that includes the above steps will not only facilitate the preparation of financial statements related to capital assets and provide a system of protection for the assets, it will also provide an excellent record for insurance and replacement purposes as well. GASB Statement No. 34 requires capital assets to be included in the government-wide financial statements of the Township.

Treasurer--Receipts and Deposits

Finding 2023-010

Condition: There was no evidence that official receipts were written for funds collected by the Township and deposits were not always made on a timely basis. According to the Treasurer, no receipts were written when money comes in. Deposits are strictly entered into the general ledger from the bank statements.

- There was no receipts register available for review.
- Receipts were not deposited in a timely manner.
- No source documents are available to determine if all receipts are recorded or deposited intact.

Criteria: Required procedures for cash receipts records and intact deposits of cash receipts are explained in detail in Chapter 4--Cash Receipting Procedures and Chapter 3--Bank and Investment Accounts of the Accounting Procedures Manual for Local Units of Government in

Michigan, which can be accessed on the Michigan Department of Treasury Website at:
<https://www.michigan.gov/treasury/local/lafd/info/bulletins-manuals-and-forms>

Required internal control procedures applicable to Meyer Township include:

1. Official receipts must be issued for each collection (except for individual tax collections), whether received from an individual, the state, the county, or another local unit department. Note: A separate tax collection receipts journal must be maintained for tax collections. An official departmental (regular) receipt must be written each time tax collections are deposited.
2. Numerically controlled (printer pre-numbered) official receipts with the name of the local unit and the department name printed on the receipt must be issued for all collections. Official receipts may be manually written, or computer generated.
3. The use of generic, store-bought receipts is strictly prohibited.
4. "Cash" or "check" as the method of payment must be indicated on the receipt.
5. The receipt must identify the individual receiving payment.
6. The receipt must allow for immediate revenue account classification in conformance with the Uniform Chart of Accounts.
7. Checks must be restrictively endorsed at the point and time of collection.
8. When possible, someone other than the person who writes receipts or posts the accounting records must be responsible to verify that collections received in the mail are properly receipted.
9. When possible, collections must be reconciled by an individual not involved in the receipting process.

All money must be deposited to financial institutions intact in a timely manner. Intact means that the deposit must include the checks and cash received for a specific numerically sequenced receipt group. Any overage and/or shortage amounts should be deposited and recorded separately along with the receipts. All voided receipts should be kept intact and maintained in sequential order along with the other receipts.

Cause: The past Township Treasurer did not issue official receipts for funds when they were received and did not make timely deposits of receipts.

Effect: No receipts were available to track funds received by the Township and funds were not available to cover expenditures in a timely manner.

Directive: We direct the Township Treasurer to issue official receipts immediately upon collection and implement the aforementioned procedures. Monthly procedures should include comparing receipts written for the month with the receipts register and with bank deposits. Deposits should be made in a timely manner.

Lack of Computer Controls

Finding 2023-011

Condition: The Township does not have adequate controls over accounting records maintained on the computer system. Financial and payroll reports are not printed. Computer backups are not performed for the laptop that maintains the accounting / payroll software.

Criteria: Per the Accounting Procedures Manual for Local Units of Government:

- For computerized accounting systems, access to the computers should be limited to only authorized personnel and / or the security system should document specific users who have initiated transactions, particularly editing or modifying transactions (general journal entries, utility billing corrections, etc.).
- All accounting records, including computerized systems, should be safeguarded from loss due to fire, theft, floods or misplacement.

Cause: The Treasurer does not print accounting or payroll reports and does not perform backups from the software.

Effect: The Township records are at risk of being lost if the financial computer and / or software is damaged and data may not be available to regenerate the records, if needed due to lack of reports being generated.

Directive: We direct the Township to establish policies and procedures for routine backup of computers and / or software. We also recommend that accounting and payroll reports are printed and filed in a secure place.

Requested Information Was Not Provided

Finding 2023-012

Condition: The Township Treasurer was unable to provide information requested during the review of controls and records.

Criteria: Under the authority of Public Act 2 of 1968, the Uniform Budget and Accounting Act, the Township is required to provide documentation as requested in the review of internal controls and statutory compliance over financial reporting.

Cause: We were unable to receive requested documentation from the Treasurer.

Effect: A complete review of the documentation deemed to be necessary under the Public Act 2 Review was unable to be performed.

Directive: We recommend the Township Board takes necessary steps to ensure all requested documents are provided to the State auditors.

Minutes

Finding 2023-013

Condition: The Township was unable to provide us with the minutes for the October 2020 and April 2022 meetings.

Criteria: According to MCL 15.269 of the Open Meetings Act, “Each public body shall keep minutes of each meeting showing the date, time, place, members present, members absent, any decisions made at a meeting open to the public, and the purpose or purposes for which a closed session is held.”

Cause: The minutes for the meeting could not be found.

Effect: The Township is noncompliant with state statute. No formal record exists of any decisions made by the Board for these meetings.

Directive: We direct the Board to implement a procedure to ensure the minutes are taken at each meeting and that a policy is implemented to maintain the minutes in accordance with the Open Meetings Act.