



CERTIFIED PUBLIC ACCOUNTANTS

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To the Township Board
Lake Township
Roscommon County
Houghton Lake, Michigan

The State of Michigan does not require an annual audit for local governments with a population of less than 4,000 people. Since an audit was performed for March 31, 2013, the Board requested that we perform alternate procedures for March 31, 2014. We have examined various records from both the treasurer and clerk for the year ending March 31, 2014, and feel the following deserve comment:

Budgeting

We noted that expenditures are often reclassified at the end of the fiscal year in order to reduce expenditures to what was appropriated. Rather than reclassifying properly classified expenditures in the general ledger, the correct way of accounting is to amend the budget. This is a repeat comment from prior year communications.

Supporting Documentation

Supporting documentation should be kept for each disbursement of the Township. Source documentation should be an original invoice and/or a signed and dated voucher that clearly indicates the purpose, amount and payee for each transaction. Some disbursements were made without proper supporting documentation as defined above. If an individual or organization is to be reimbursed for expenses it would be proper to include proof of such expense along with a voucher. This is a repeat comment from prior year communications.

Mileage Reimbursements

It was noted during the audit that the Township is currently paying mileage for officials to retrieve the mail, make bank deposits, etc. We recommend that the Township address what activities will be reimbursed and how often in order to minimize such expenses. This is a repeat comment from prior year communications.

Purchasing Policy

We recommend that the Township adopt a purchasing policy. Such policy should contain what purchases can be made without prior board approval, limits on purchasing and what the policy is regarding vendor rewards and kickbacks. It was noted that during the year the clerk received vendor rewards from the purchase of office supplies.

Disbursements

The State Accounting Manual states that all disbursements need to have board approval. We noticed gaps in the check numbers presented at the monthly board meetings. Such gaps indicate that checks were written and subsequently cashed which were not approved by the board. If a check is issued after the monthly board meeting it needs to be presented at the following month's meeting.

Summer Tax Collection Fee

It was noted that the Township treasurer was paid an amount for summer tax collection. The check in question was one of the checks not on the list of checks for board approval.

Per the Audit Manual for Local Units of Government in Michigan, "Extra compensation for summer tax collections is inappropriate, unless part of the initial salary resolution or is authorized within statutory procedures for an increase in salary". The General Appropriations Act needs to clearly state the amounts of salary, hourly and per diem rates for the officials and employees of the Township.

Fireman's Payroll

One of the fireman was given an advance on his annual pay which was not subtracted from his pay. The fireman has been overpaid and shall pay back the Township accordingly. It is our understanding that the firemen are now paid more frequently and no one should receive payroll advances in the future.

Fire Auxiliary Expenses

The Township has paid for expenses related to the annual Ox Roast Festival for the Fire Auxiliary account. These amounts are to be paid back by the Fire Auxiliary account as soon as possible as they are not lawful expenditures of the Township.

Payroll

The general ledger wages and payroll taxes did not agree to the quarterly returns which were filed. We recommend that this be reconciled on a quarterly basis to ensure correct reporting. This is a repeat comment from prior year communications.

Money Received by Officials other than Treasurer

If an official other than the treasurer receives money they must deposit all money with the treasurer frequently, at least monthly. It was noted that monies were received by the clerk and not remitted to the treasurer on a timely basis. We recommend that all monies be given directly to the treasurer rather than another official whenever possible.

These comments are made with the facts and circumstances put before us through the date of the letter and with the records that we were provided with for the fiscal year 2013-2014. We cannot ensure that there are no other issues in the Township's records. Our comments could change if other information is provided after the date of this letter. We have communicated with

the State of Michigan Local Audit Division and it is expected the Township will alleviate these issues prior to the next required audit.

This information is intended solely for the use of the Township Board, State of Michigan, and management of Lake Township and is not intended to be, and should not be, used by anyone other than these specific parties.

BAIRD, COTTER AND BISHOP, P.C.

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