



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

ANDY DILLON  
STATE TREASURER

January 9, 2013

Fiscal Year: 2012  
MuniCode: 502030

Chief Financial Officer  
City of Fraser  
33000 Garfield  
Fraser, Michigan 48026

Dear Chief Financial Officer:

The Local Audit and Finance Division has received the audit report for fiscal year 2012. It is the responsibility of this division to administer certain State statutes. Consequently, your audit has been reviewed to determine compliance with budgeting, accounting, auditing, and statutory compliance related activities. This review has identified issues that we believe need your attention.

Your certified public accountant has noted the following issues corresponding to questions on the auditing procedures report (APR):

- 03. Actual expenditures exceeded the amounts authorized in the budget.
- 12. There were repeated reported deficiencies from previous years.
- 17. Bank reconciliations were not performed timely.
- 18. There were reported deficiencies included with the audit report.

The matters described above are violations of State statute or are deficiencies of the local unit that may impede the local unit's ability to comply with State statute. Therefore, please submit to us, within 30 days from the date of this letter, a detailed corrective action plan (CAP) to resolve the above-mentioned matters including other deficiencies noted in your audit report. Additional deficiencies in your report are usually found in the form of comments and recommendations located toward the end of the report. The plan should identify each APR question listed above, each additional deficiency, the corrective action to be taken, and the date in which the action is to be implemented.

Please submit your CAP, any supporting documentation, and a copy of this letter to the Local Audit and Finance Division, Attention: Cary Jay Vaughn at the address listed below or send via email to [LAFD\\_Audits@michigan.gov](mailto:LAFD_Audits@michigan.gov). If sending your plan by email, please include the following in the subject line: "local unit name-year-CAP." If you fail to respond within 30 days or you are unable to demonstrate that you have started corrective action, the Department may take any or all of the following actions:

Deficiency Letter

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- Deny or revoke qualified status under Public Act 34 of 2001, the Revised Municipal Finance Act (possibly preventing your municipality the ability to borrow money);
- Report the failure to file to the county prosecuting attorney or attorney general pursuant to Public Act 2 of 1968, the Uniform Budgeting and Accounting Act, as amended;
- Subject the local unit to an audit and/or review performed by Department of Treasury auditors at the expense of the local unit.

Thank you for your attention to this matter. If you have any questions, please contact me at 517-373-3227.

Sincerely,



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

cc: Chief Administrative Officer  
Clerk

**Corrective Action Plan**  
**City of Fraser**  
**Fiscal Year – 2012**  
**MuniCode - 502030**

**03 – Actual expenditures exceeded the amounts authorized in the budget.**

**Implementation of Plan:** Immediately/On-going

The City of Fraser has implemented several new budget policies and procedures over the past year. The budget template utilized has been streamlined. The budget involves input from each Department Head before presenting it to the City Council.

During the fiscal year, Department Heads can adjust the budget lines within the department as long as it does not change the appropriation level. Any increased appropriation to a department must be presented to the City Manager and approved by City Council. This flexibility within departmental budgets has helped to alleviate the issues associated with expenditures in excess of the authorized budget.

With the increased involvement throughout the process by Department Heads, the figures utilized within the budget document have become closer to actual. Budget figures that mirror actual expenditures will decrease the number of accounts that need addressing for going over budget during the fiscal year.

In the past, budget amendments needing City Council approval were only submitted at the end of the fiscal year. Now, budget amendments are presented to City Council for approval when they are deemed necessary.

**12 – There were repeated reported deficiencies from previous years.**

**Implementation of Plan:** Immediately/On-going

***Material Journal Entries Proposed by Auditors***

The City continues to work on reducing the number of adjusting journal entries prepared by the auditors. The City sends its financial staff to various training events that will further reduce the need for the auditor to prepare these journal entries. A majority of the training has been completed through the Michigan Government Finance Officers Association. During the past audit, the Finance Director worked more closely with the senior staff on the engagement to develop a list of items that could be reviewed prior to the 2012-13 audit. This will help further reduce the number of adjusting journal entries needed.

**17 – Bank reconciliations were not performed timely.**

**Implementation of Plan:** Immediately

The City of Fraser encountered a lingering difference between the bank statement balances and general ledger amounts. The bank statement showed a higher balance than the general ledger. This difference made it difficult to reconcile the bank statements in a timely manner.

The City utilized additional services from Abraham & Gaffney to help review the bank reconciliation process and determine a consistent variance. At the conclusion of the past audit, the City was able to alleviate the difference. Without the difference being present, the bank reconciliation difficulty has dissipated.

**18 – There were reported deficiencies included in the audit report.**

**Implementation of Plan:** Immediately/On-going

***Written Procedures and Policies***

The City of Fraser continues to work on internal control policies that will help safeguard its assets. The City is in the process of reviewing and proposing additional policies for Fraud Risk Management, Conflict of Interest, Business Continuity, and Electronic Transactions. The Finance Director and Deputy Finance Director continue to update the Standard Operating Procedures for the Finance Department.

***Preparation of Financial Statements in Accordance with GAAP***

The City continues to send its staff to appropriate training to make certain that GAAP is being followed accordingly. The additional training also helps ensure that the financial staff can stay ahead of any pending policy changes.

***Record Retention***

The City has reviewed the State of Michigan's parameters for record retention. The schedule outlined by the State will be utilized within the Finance Department effective immediately.

***Capital Asset Records***

The City of Fraser is in the process of an extensive review of all the assets it possesses. This work is being completed by the City Engineer, City Manager, DPW Superintendent, and Finance Department staff. Upon completion of this task, the listing will be utilized as a tool to review the assets on the City's books. Software has been updated to interface with the general ledger.