



STATE OF MICHIGAN  
DEPARTMENT OF TREASURY  
LANSING

RICK SNYDER  
GOVERNOR

R. KEVIN CLINTON  
STATE TREASURER

January 7, 2015

Fiscal Year: 2014  
MuniCode: 502030

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

Dear Chief Financial Officer:

The Local Audit and Finance Division has received the audit report for fiscal year 2014. 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.
- 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:

- 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;

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- 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 – 2014**  
**MuniCode - 502030**

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

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

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.

It was identified that large one time purchases were causing budgetary issues at the end of the fiscal year. Every one time large purchase approved by City Council at a regular meeting will be accompanied by a corresponding budget amendment to accommodate the purchase.

The Finance Department has modified its monthly reports to give City Council more information regarding spending and how it compares to previous years. This information is being utilized to more carefully monitor the budget to ensure that actual expenditures does not exceed the amounts authorized.

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

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

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

The City continues to work on reducing the number of adjusting journal entries prepared by the auditors. The City encourages its financial staff to participate in seminars and workshops to help further reduce auditor prepared journal entries. The Finance Director has worked closely with senior audit staff to understand and complete journal entries prepared by the auditors in the previous fiscal years.

The Finance Director/Treasurer has reviewed the journal entries proposed by the audit staff during the 2013-14 fieldwork. He has had conversations with the audit staff to understand what journal entries were missed during the fiscal year. Through understanding and review, he is currently working on the current fiscal year to avoid any unnecessary journal entries being made by the audit staff.

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

***Capital Asset Records***

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

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. The work to identify city assets has culminated during the current fiscal year with the passage of a millage to support the replacement of infrastructure and buildings found in these records.

The Finance Director will also be seeking an educational class to further understand the capital asset record software so that it may be utilized more effectively.

***Unclaimed Property***

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

A listing of outstanding checks has been compiled from a recent bank reconciliation. A letter is being sent to each vendor on the list verifying that status of the outstanding item. Based on the reply of the vendor, the check will either be re-issued or removed from the outstanding item list. If the vendor does not reply to the inquiry, the check will be remitted to the State. The Finance Department has been able to identify several checks that were able to be cleared from the listing during the 2013-14 fiscal year. This effort to identify owners of the unclaimed property will continue in earnest.

***Court Bond Reconciliation***

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

The Finance Director and Deputy Court Administrator have been reviewing this listing. The listing entails a handwritten ledger of old bonds. The District Court will compare the list to its files. Any bond that is unable to be properly reissued will be escheated to the State.