



December 22, 2021

Cary Jay Vaughn, CPA, CGFM
Community Engagement and Finance Division
P.O. Box 30728
Lansing, Michigan 48909

Dear Mr. Vaughn:

We have prepared this letter in response to the communication received from the Community Engagement and Finance Division, dated December 3, 2021 regarding the issues identified as a result of the City's annual audit. Below we have included a summary of the corrective actions taken by the City's management to address the issues identified in the auditing procedures report (APR).

Auditing Procedures Report

APR Question #1: There were reported deficiencies included with the audit report. Additional deficiencies in your report are usually found in the form of comments and recommendations located toward the end of the report. Describe the corrective action taken to eliminate each of these deficiencies

Planned Corrective Actions: The reported deficiencies relate to accounting assistance provided by our auditors. Our CPA firm assists the City in preparing the financial statements and posting various year end journal entries. The City believes it is more cost effective to have our CPA provide these services as part of the audit process rather than hiring additional finance staff to perform these duties.

APR Question #2: Expenditures have exceeded revenues for the last three years. Please provide an explanation for this trend.

Planned Corrective Actions: Responsible parties within the City are working to ensure the City has sufficient resources to maintain fiscal solvency. The City Council enacted a Fund Balance Policy and established a Special Assessment District to defray a portion of the costs for providing fire protection services under PA 33 of 1951. Responsible parties within the City are actively reviewing expenditures to implement operational efficiencies.

Implementation Date: May 2021.

THE CITY OF
CHARLOTTE
MICHIGAN

APR Question #3: The board or council did not approve all disbursements prior to payment as required by charter or statute. Please provide descriptions of unauthorized disbursements as well as the amount of the unauthorized disbursement. Please provide the most recent board minutes showing the approval of expenditures.

Planned Corrective Actions: In November of 2020 responsible parties within the City ceased payment to the bank account and a separate legal entity for the Charlotte Volunteer Fire Department was established. Disbursements to this account have ceased and expenditures of city funds are approved by the City Council, as required. Bank account statements showing the account closure have been provided along with the most recent Council minutes showing approval of expenditures.

Implementation Date: November 2020.

APR Question #4: There is non-compliance with guidance issued by the Community Engagement and Finance Division of the Department of Treasury. Please provide an explanation.

Planned Corrective Actions: Responsible parties within the City are working to ensure the City is in compliance with the Michigan Uniform Budgeting and Accounting Act in the future; including a thorough review of a budget to actual comparison report on a monthly basis to ensure all necessary amendments are made in a timely manner.

Implementation Date: August 2021.


APR Question #5: Bank reconciliations were not performed timely. Provide a bank reconciliation for the last month reconciled for the account(s) in question.

Planned Corrective Actions: The City was using a third-party accounting firm to perform bank reconciliations in the prior fiscal year. Responsible parties within the City have resumed responsibility of this function and bank reconciliations are now performed timely.

Implementation Date: November 2021.

If you have any further questions feel free to contact me at 517-543-8850 or elapere@charlottemi.org.

Sincerely,


Erin E. LaPere, MPAP
City Manager