

**VILLAGE OF ELBERTA, MICHIGAN  
CORRECTIVE ACTION PLAN (CAP)  
JANUARY 22, 2014**

IN RESPONSE TO  
FINDINGS, REPORT, COMMENTS AND RECOMMENDATIONS  
DATED OCTOBER 22, 2013  
BY THE  
STATE OF MICHIGAN DEPARTMENT OF TREASURY  
REGARDING  
ACT 2 OF 1968 (UNIFORM ACCOUNTING & BUDGETING ACT  
MATERIAL WEAKNESSES IN INTERNAL CONTROL

**D R A F T – 1-16-2014**

The following report comprises the Village of Elberta's Corrective Action Plan (CAP) response to the fifteen (15) conditions and recommendations made by the Michigan Department of Treasury on October 22, 2013.

The Village has previously submitted a deficit elimination plan (DEP) to the Michigan Department of Treasury (to the Office of Fiscal Responsibility and Local Audit and Finance Division, respectively). This plan outlined several steps, mainly expense reductions, to overcome an identified \$560,000+ deficit in the Village's general fund. These steps included the reduction of compensated time for Village staff which will directly impact the Village's ability to respond to all of the required tasks within the CAP as well as to complete required duties.

*FINDING IC2013-01 – PREPARATION OF FINANCIAL STATEMENTS BY AUDITOR*

RESPONSE BY VILLAGE OF ELBERTA:

Due to the limitations of staff time and training as necessary under the Deficit Elimination Plan, it will be necessary for the Village of Elberta to continue to rely upon a teamwork approach with the Village Clerk, Village Treasurer, and Audit Firm as designated by the Village Council, to produce an end-of-year financial statement. This condition is expected to exist until FY 2018-19.

The Village Council shall appoint a standing Budget, Finance and Audit (BFA) Committee, comprised of at least three members of the Village Council, to be provided staff assistance by the Village Clerk, Village Treasurer, and any other person(s) deemed necessary to assist the Village Council. This committee shall perform the following duties, prior to the presentation of the final audit to the Village Council:

- Review the draft audit financial statements and notes with the Auditor and Village Staff.
- Compare said statements with monthly financial statements received within the fiscal year, from the Village staff.
- Receive explanations from the Clerk, Treasurer and Auditor as to any adjusting entries.
- Review selected work papers pertaining to the annual audit.
- Make inquiries and seek out whatever information deemed necessary as to variances, if any, from Village policies/procedures, the annual budget as approved/amended, and/or other Council actions.
- Make comparisons to receivables, payables or payroll records.
- Report findings and any corrective actions, as may be necessary, to the full Village Council at the earliest possible regularly-scheduled meeting.

When the Village's financial condition improves sufficiently, the Village Council will appropriate the funds necessary to see that Village personnel is trained to perform, and does perform within Council-approved time frames, the necessary accounting and reporting within the fiscal year. In the alternative, the Village Council will appropriate funds as necessary to hire or contract with a properly qualified individual or other entity to produce the necessary financial statements.

Responsible Party(s) to Implement: Village Council

Regular reports to be Provided By: Village Council BFA Committee

Oversight to be Provided By: Village Council

Time Frame: Immediate

Action(s) Necessary: Village Council to appoint committee to perform the above-described tasks.

*FINDING IC2013-02 – LACK OF MONITORING/SEGREGATION OF DUTIES*

RESPONSE BY VILLAGE OF ELBERTA:

Responsible Party(s) to Implement: Village Council, Clerk and Treasurer

Oversight to be Provided By: Village Council

Time Frame:

DUTIES:

Clerk: Payroll  
Accounts Payable

Treasurer: Accounts Receivable  
General Ledger

Problem: insufficient # of persons; insufficient \$\$\$ to hire added staff.

Thoughts: qualified staff from other communities to provide/perform reviews in a peer format?

*FINDING IC2013-03 – DISBURSEMENT/PURCHASING POLICY & PROCEDURES*

RESPONSE BY VILLAGE OF ELBERTA:

Village Council to approve an appropriate purchasing policy and procedures for all Village personnel to utilize and for the Village Council to approve for each month. This policy will include:

- the need for approvals within the appropriation process as well as approvals for large, emergency or non-regular purchases in addition to that process;
- staff to code vendor invoices for appropriate line-item charging;
- review by the Village Clerk and/or other staff designated by the Village Council, and final approval by the Village Council to assure that vendor payments are appropriate;
- a policy for credit card usage and payment authorization

Responsible Party(s) to Implement: Village Council, Village Clerk, Village Treasurer, Village DPW and any other Village staff

Regular reports to be Provided By: Village Council BFA Committee

Oversight to be Provided By: Village Council; Village Clerk and Treasurer

Time Frame: Immediate

Actions Necessary: Develop policy and procedure for Village personnel to follow for purchasing and vendor payments

Please see attached resolution and policy as approved by the Village Council.

*Attached are sample policies from other Michigan communities. It is recommended that this be studied, and that the elements deemed necessary and applicable for the Village of Elberta be utilized.*

*FINDING IC2013-04 – LACK OF DOCUMENTATION/ APPROVAL OF EMPLOYEE TIME SHEETS*

RESPONSE BY VILLAGE OF ELBERTA:

Issues: Lack of approvals for time sheets  
Lack of approval/justification for DPW overtime prior to incurrence of overtime

Responsible Party(s) to Implement: Village President or designated Councilmember/Committee; DPW Supervisor; Village Clerk (time sheet processing)

Regular reports to be Provided By: Village President/Designee and DPW Director

Oversight to be Provided By: Village Council

Time Frame: Immediate

Actions Necessary: Develop policy for time sheet review and approvals. Either the Village president or designee should approve biweekly time sheets.

Revise existing time sheets for all employees which follows Council-approved policies, if necessary.

See that all employees utilize time sheets for each pay period. Time sheets should be signed by the employee and immediate supervisor; in the case of the Clerk, Treasurer and DPW Supervisor, the Village President or designee should approve the time sheet.

Develop job descriptions for all employees

Develop overtime policy for approval by the Village President or designated member of the Village Council prior to the incurrence of overtime, with overtime to occur only in emergency circumstances, as defined by the Village Council.

RESPONSE BY VILLAGE OF ELBERTA:

Responsible Party(s) to Implement: Village Council and Village Treasurer

Regular reports to be Provided By: Village Treasurer

Oversight to be Provided By: Village Council

Time Frame: Immediate

Actions Necessary: Regular reports to Village Council  
Repayment of long-term advances to be recommended by Treasurer, and to be set by Council

The Village Treasurer shall provide, each month, a cash balance report for each of the Village's funds. If a short-term interfund loan is necessary, that shall be disclosed to the Council by the Treasurer. A short-term interfund loan (from one fund to another), shall be no longer than 90 days. Upon day 91 of a short-term loan, the balance will be reclassified as a long-term advance, and the Treasurer shall report the condition to the Village Council. A repayment plan from the fund incurring the debt to return the borrowed proceeds to the loaning fund, shall be developed by the Treasurer for the Council's approval.

The Village Council shall receive regular reports from the Treasurer of account activities which show the repayment of long-term advances.

*FINDING IC2013-06 – LACK OF INTERNAL CONTROLS/RECORD-KEEPING FOR CAPITAL ASSETS*

RESPONSE BY VILLAGE OF ELBERTA:

Responsible Party(s) to Implement: Village Clerk, Planning Commission, Auditor (information source)  
Regular reports to be Provided By: Village Clerk and Village Planning Commission (annual)  
Oversight to be Provided By: Village Council  
Time Frame: Immediate

The Village Clerk shall maintain a set of records for the Village of Elberta's capital assets.

Relevant information on the Village's fixed/capital assets can be obtained from the Auditor, and an annual spreadsheet can be maintained. An example worksheet has been provided by Chris Olson. It is recommended that capital asset software, as recommended by the Auditor, be purchased if the Excel spreadsheet is deemed inadequate.

Additional Oversight: The Planning Commission, as part of its duties to produce and update the Village's capital improvements plan (CIP) each year, shall annually review the Village's fixed assets, and provide this information within a report to the Village Council.

*FINDING IC2013-07 – LACK OF MONITORING/CONTROL OVER DPW FUEL USAGE*

RESPONSE BY VILLAGE OF ELBERTA:

Responsible Party(s) to Implement: Village Council, DPW Director  
Regular reports to be Provided By: DPW Director and Village Clerk  
Oversight to be Provided By: Village Council  
Time Frame: Immediate

The Village shall develop a fuel usage and monitoring policy for its vehicles and motorized equipment.

Each village motorized vehicle shall have a numbered refueling sheet(s), which shall denote:

- Odometer or Hour meter reading at time of fueling
- Number of gallons pumped at time of fueling
- Date, Time and Person who did the fueling

Fueling sheets shall be turned in to the Village Clerk, who shall cross-check fuel usage with fuel purchases, and shall report this to the Village Council.

Fuel purchase invoices shall note the price per gallon, number of gallons purchased,

Policy provisions

At no time shall fuel purchased by the Village of Elberta be pumped into any vehicle or fuel container that is not owned nor operated by the Village of Elberta. Additionally, Village vehicles shall not perform work outside of the Village of Elberta, with the exception of hauling supplies or materials for Village use.

Additionally, Village vehicles shall not be allowed to sit with motor(s) idling for more than 5 minutes if not in use for assigned duties.

The DPW Director shall provide a monthly report to the Village Council showing fuel usage, miles driven or metered hours of operation (depending upon vehicle) for each operation of the DPW (Major Streets, Local Streets, Water, Sewer, Parks (each one identified, if possible), Village Hall, Community Center, and Other. “Other” shall be kept to a minimum

Additionally, the DPW Director shall accurately show hours worked by DPW personnel, in each of the above areas, along with accomplishments, each month.

FINDING IC2013-08 – LACK OF W-9 AND 1099 STATEMENTS FOR CONTRACTORS

RESPONSE BY VILLAGE OF ELBERTA:

Responsible Party(s) to Implement: Village Clerk

Oversight to be Provided By: Village Council

Time Frame: Immediate

The Village of Elberta shall require all vendors to provide a W-9 statement prior to being put into the payables system and prior to any payment. Payment shall be made only when provided with an invoice. Invoices shall be properly coded by the Department who received the services or goods.

The Village Clerk shall maintain a file of vendors with W-9 forms.

The Village of Elberta shall produce and send a 1099 form denoting the IRS-required information, following the end of each calendar year to those vendors who perform more than \$600 in services and supplies. It is recommended that this be accomplished with the W-2 forms for employees.

The Council shall annually review its list of approved vendors. *(Question: can the Fund Balance system produce a list of vendors along with the annual payments to each?)*

A 2/3 voted approval is necessary for any Councilmember or employee of the Village to become a vendor for services other than those customarily provided. This approval is necessary before any payment is made.

*FINDING IC2013-09 – GENERAL FUND DEFICIT AND LACK OF FINANCIAL STATEMENTS*

RESPONSE BY VILLAGE OF ELBERTA:

Responsible Party(s) to Implement: Village Council  
Regular reports to be Provided By: Village Treasurer, Village Clerk  
Oversight to be Provided By: Village Council  
Time Frame: Immediate

The Village of Elberta filed its Deficit Elimination Plan on January 9, 2014.

The Treasurer shall produce and provide the following reports for the Village Council each month:

- Approved Budget-to-Actual Expenditures in a Year-to-Date format.
- Statement of Cash Balance in each Fund

The Clerk shall produce and provide the following reports for the Village Council each month:

- Listing of invoices to be paid from the Accounts Payable system.

The Village of Elberta shall provide the required monthly financial reports to the Department of Treasury in order to demonstrate progress towards deficit elimination.

*FINDING IC2013-10 – LACK OF AMENDING BUDGET WITHIN FISCAL YEAR*  
*FINDING IC2013-11 – FINAL BUDGET AMENDMENTS OCCURRING AFTER END OF FISCAL YEAR*

RESPONSE BY VILLAGE OF ELBERTA:

Responsible Party(s) to Implement: Village Council

Regular reports to be Provided By: Village Treasurer, Village Clerk, DPW Director

Budget Amendment Requests or  
Adjustments to be Provided By: Village Treasurer, Village Clerk, DPW Director

Oversight to be Provided By: Village Council, BFA Committee.

Time Frame: Immediate

Departmental responsibilities: Work within realistic budgets as proposed for Council approval.

Author budget adjustments within assigned areas of responsibility; submit for Council review. Adjustments do not increase the bottom line of the activity area(s) for which the department head is responsible.

Propose amendments that will increase the bottom line of the activity area for which the department head is responsible. Only the Village Council can amend the budget.

Project expenses that will go over or under for the fiscal year, in accordance with changing operational conditions.

Based upon the monthly financial and accounting statements provided by the Treasurer and Clerk, as well as the requests from Village department heads, the Village Council should have information to make end-of-year projections and feel comfortable with budget amendments prior to the end of the fiscal year.

The Village of Elberta shall enact the necessary policies and provide forms to amend/adjust the budget in accordance with the above. Expenses shall not be incurred in excess of appropriations at the level approved by the Village Council within the annual budget resolution.

***Decision point: discretion to be set at line-item or activity level?***

*FINDING IC2013-12 – INVESTMENT POLICY/DEPOSITORY DESIGNATION*

RESPONSE BY VILLAGE OF ELBERTA:

Responsible Party(s) to Implement: Village Council, Village Treasurer

Oversight to be Provided By: Village Council

Time Frame: By March 1, 2014

Please see attached resolution and policy as approved by the Village Council.

*Attached are sample policies from other Michigan villages regarding investment of village funds. It is recommended that this be studied, and that the elements deemed necessary and applicable for the Village of Elberta be utilized.*

*FINDING IC2013-13 – ELECTRONIC TRANSACTIONS/AUTOMATED CLEARING HOUSE FOR PUBLIC FUNDS*

RESPONSE BY VILLAGE OF ELBERTA:

Responsible Party(s) to Implement: Village Council, Village Treasurer

Oversight to be Provided By: Village Council

Time Frame: Immediate

Please see attached resolution and policy as approved by the Village Council.

*Attached are sample policies from other Michigan communities. It is recommended that this topic be studied, and that the elements deemed necessary and applicable for the Village of Elberta be utilized.*

RESPONSE BY VILLAGE OF ELBERTA:

Responsible Party(s) to Implement: Village Council

Oversight to be Provided By: Village Council and all Village personnel

Time Frame: Review and consideration to begin immediately;  
Approval of policy by Council at March 2014 regular meeting.

Resource(s): MML Ethics Handbook for Michigan Municipalities  
Sample Conflict of Interest policies/ordinances from other communities

Please see attached resolution and policy as approved by the Village Council.

*Attached is a sample policy from another Michigan community and the MML Handbook. It is recommended that this be studied, and that the elements deemed necessary and applicable for the Village of Elberta be utilized.*

*FINDING IC2013-15 – NONCOMPLIANCE WITH TREASURY OVERSIGHT AND STATE STATUTES*

RESPONSE BY VILLAGE OF ELBERTA:

To its best knowledge and intent, the Village of Elberta will comply with all applicable Michigan statutes, regulations and reasonable directives by the Michigan Department of Treasury.

Responsible Party(s) to Implement: Village Council, Appointed Boards and Commissions,  
Village Clerk, Village Treasurer, Village DPW and all other  
Employees

Oversight to be Provided By: Village Council

Time Frame: Immediate

ADDITIONAL RECOMMENDATIONS:

It is recommended that the Village Council make the positions of Clerk and Treasurer as hired positions, rather than elected. The Village Council should follow the MML Village Handbook procedure to enact the ordinances as required.