

Corrective Action Plan

Village of Bear Lake MI

For the year ending February 29, 2016 the Village overspent income in the following areas:

- a) General Fund spent \$2,366 over income
- b) Major Street fund over spent by \$10,694
- c) Park Fund over spent by \$7,665
- d) Water Fund over spent by \$40,513

While we overspent we always kept a surplus balance in each account.

One of the greatest areas of concern is that for the year ending Feb. 29, 2016 an unbalanced budget was approved. This has been addressed by approving an accurate and balanced budget for the current year.

During the past year the Treasurer and Clerk both tendered their resignations and had to be replaced by new appointees. This led to a period where they were trying to learn "on the fly" and we struggled with the accounting procedures needed to keep an accurate record of income and expenses. Also the previous clerk failed to set an Audit for year ending Feb 28, 2015 and by the time we figured it out and were able to schedule one some of our State money was withheld.

Here are the steps we have taken to ensure this will not happen in the future.

- 1) Passed a budget for the current year that is balanced and accurate.
- 2) Adjust the budget as needed to make sure expenditures do not exceed the income.
- 3) Keep a running balance sheet that is updated as bills are paid and income comes in to have an accurate real time view of where the Village stands financially.
- 4) We renewed our agreement with our current auditing firm for 3 years. This will allow our clerk and treasurer access to their knowledge and get help whenever a question arises.
- 5) Both the clerk and treasures are taking classes to increase their understanding of our accounting system.

From our audit these deficiencies were found and have been corrected by following the plan the auditor recommended.

- a) Audit adjustment and the Financial Statements. Because of the transition of both offices and the learning curve, the attention to the details of adjusting the budget were missed. This again has been addressed and we currently review our financials on a weekly basis.
- b) Reconciliations. We have tightened our controls on this. We reconcile our bank statements immediately after they come in and this reduces the chances of issues arising.
- c) Segregation of Duties. The auditor recommended the following and we are complying....The clerk and Treasurer need to better define their responsibilities. With small governments, such as the village, this is difficult due to the number of staff. But right now, the clerk needs to take a bigger role to separate some of the duties between the two positions.

We understand the deficiencies we have, the problems continuing to do so will produce and what we need to do to fix the problems. Plans are in place, being followed and we are committed to keeping an updated and balanced budget.

Jeff Bair

President

Village of Bear Lake