

# SCOTT R. KENNEY

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May 18, 2018

The Honorable Supervisor and Board  
Township of Burt  
P.O. Box 430  
Grand Marais, MI 49839

In conjunction with the audit of the general purpose financial statements of the Township of Burt, Alger County, Michigan (Township) as of and for the year ended March 31, 2018, I have reviewed the Township's accounting policies and procedures and systems of internal control. My audit was conducted primarily to enable me to formulate an opinion on the Township's financial statements and accordingly, would not disclose all weaknesses in the system which may exist. My review disclosed certain areas in which I believe more effective internal control or increased efficiency may be achieved. This letter is intended to summarize my findings and present my overall conclusions and recommendations. It has been prepared solely for the information of the Township Board and management and should not be presented or quoted to anyone outside of the Township because of the possibility of misunderstanding by other persons who may not be aware of the objectives and limitations of internal controls and my study and evaluation thereof. Statement on Audit Standard Number 122 (SAS 122) requires that I inform the Township of all significant control deficiencies and those control deficiencies be split into one of two types. The two types of control deficiencies are "significant deficiencies" and "material weaknesses". A significant deficiency is defined as a control deficiency that has more than a remote likelihood that the entity's ability to initiate, authorize, record, process or report financial data in compliance with accounting principles generally accepted in the United States of America will be adversely affected and that such affect will be more than inconsequential. A material weakness is defined as a significant deficiency(ies) that could have a material affect on the financial statements. The first two items in Other Matters for Consideration are repeated from the prior year. No other comments below are repeated from the prior year.

## MATERIAL NON-COMPLIANCE

None

## **MATERIAL WEAKNESSES**

**OBSERVATION** - During the audit period, the Township changed the procedures for billing ambulance services to a new billing provider. The changes included:

- A. Discontinuing record keeping on the detailed (Quickbooks) system.
- B. Discontinuing record keeping on the BS&A accounts receivable system.
- C. Pursuing outstanding balances at the point of conversion by the Township staff.

As a result of the changes, no charges, receipts and insurance adjustments were recorded on the Township records. This resulted in the inability to track revenues or related receivables and collections for the ambulance service.

**RECOMMENDATION** - I recommend that the Township implement the following:

- A. The Ambulance Director will supply run numbers, dates of service, and services provided to the Clerk on a regular schedule. The Clerk in turn, should enter that information into the BS&A accounts receivable system. This will allow for the proper recording of revenues and initial accounts receivable balances.
- B. Request that the billing provider (Accumed) issue the following reports to the Township on a regular basis:
  - 1. Listing of all “runs” indicating run number, charges for services provided,
  - 2. Payment to the Township and listing of all monies collected including date, source of payment and amount.
  - 3. Listing of any “contractual adjustments” (amounts between the actual charges and the amount expected to be collected).
  - 4. Aged Accounts Receivable Report
- C. The reports in items 2 and 3 above should be used to record collection activity on the Township system.
- D. The Aging Report provided in item 4 above should be reconciled to the Township records.

**MANAGEMENT’S RESPONSE** - The Township will implement the audit recommendation on the following schedule:

- A. All runs not recorded as of June 1, 2018 will be recorded on the Township system. Further, the Ambulance Director has been directed to provide a listing of all runs on a monthly basis.
- B. Accumed will be provided a copy of the audit letter of comments and recommendations and the Township will request the recommended reports during the month of June, 2018.
- C. Upon receipt, the Township will record the necessary financial activity.

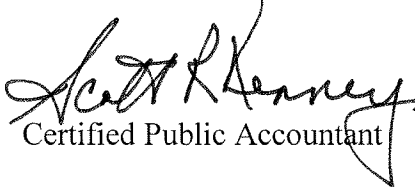
- D. The Aging Report will be reconciled with the Township records by the end of July, 2018 and regularly thereafter.

**SIGNIFICANT DEFICIENCIES**

None identified

I would like to thank the Township Board for allowing me to conduct the audit of the financial statements and I would especially like to thank Sheri, Lori, Tara, Miranda and the department heads for their assistance during the audit.

If the Township would like my assistance in implementing any of the above recommendations, I am willing to help in any way that I can.

  
Certified Public Accountant