



CITY OF ANN ARBOR, MICHIGAN
Financial and Administrative Services
100 North Fifth Avenue, P.O. Box 8647, Ann Arbor, Michigan 48107
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January 19, 2012

State of Michigan
Department of Treasury
Local Audit & Finance Division
ATTN: Cary Jay Vaughn
P.O. Box 30728
Lansing, MI 48909-8228

Re: City of Ann Arbor Audit Report FY 2011 – CAP

In response to your letter dated December 29, 2011 in which the State requested a Corrective Action Plan (CAP) from the City, please see the comments and CAP below.

In your letter it indicated the City's auditors reported that there were repeated reported deficiencies from previous years and that there were reported deficiencies included with the audit report. The deficiency reported related to the use of the City's purchasing cards (p-card). It was determined by the auditors that several p-card transactions were missing receipts for purchases and business purpose pertaining to the transaction. The auditor's stated the City makes credit card payments monthly, so the City pays for transactions without reviewing the statement or any supporting receipts authorizing the purchase or to determine that there was a valid business purpose for the transaction. Therefore, it was recommended that all documentation must be received prior to disbursement for payment on the p-cards.

The City's response to this deficiency is that the p-card system is not designed to work in the manner as described. The p-card program automatically deducts the payment from the city's account at the beginning of the month and by policy, the supporting paperwork comes in soon thereafter. Management's review of the transactions listed disclosed that in some instances where documentation was not available in accounting, the records were available in the department. Nevertheless, management acknowledges that the policy requires documentation to be sent and retained by the accounting department on a timely basis. Since supporting documentation has been subject to prior comment, the city's corrective action plan includes changes to its review process. As of May 2011, every p-card statement is reviewed by a single individual who confirms all documents and policies are in compliance. A review of this new procedure has indicated that requirements have been met to date.

We hope this corrective measure has fulfilled the State's requirement in review of the City's audit report for fiscal year 2011. Please contact me directly if you need additional information or have any questions.

Sincerely,

Tom Crawford
Chief Financial Officer

Enclosures



STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

RICK SNYDER
GOVERNOR

ANDY DILLON
STATE TREASURER

December 29, 2011

Fiscal Year: 2011
MuniCode: 812010

Chief Financial Officer
City of Ann Arbor
100 N. Fifth St.
Ann Arbor, Michigan 48108

Dear Chief Financial Officer:

The Local Audit and Finance Division has received the audit report for fiscal year 2011. 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):

- 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. 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:

Deficiency Letter


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- 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;
- 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