
Charter Township of Benton

Berrien County, Michigan

Federal Awards Supplemental Information

December 31, 2022

Independent Auditor's Reports

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Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditor's Report

To the Members of the Township Board
Charter Township of Benton

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Benton (the "Charter Township") as of and for the year ended December 31, 2022 and the related notes to the financial statements, which collectively comprise the Charter Township's basic financial statements. We issued our report thereon dated June 27, 2023, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to June 27, 2023.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis, as required by the Uniform Guidance, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

September 22, 2023

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the Members of the Township Board
Charter Township of Benton

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Charter Township of Benton (the "Charter Township") as of and for the year ended December 31, 2022 and the related notes to the basic financial statements, which collectively comprise the Charter Township's basic financial statements, and have issued our report thereon dated June 27, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Charter Township's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Charter Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Charter Township's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Charter Township's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2022-001 and 2022-002 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2022-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

To Management and the Members of the Township Board
Charter Township of Benton

The Charter Township's Responses to the Findings

Government Auditing Standards require the auditor to perform limited procedures on the Charter Township's responses to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. The Charter Township's responses were not subjected to the other auditing procedures applied in the audit of the financial statements, and, accordingly, we express no opinion on them.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Charter Township's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Charter Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

June 27, 2023

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance
Required by the Uniform Guidance

Independent Auditor's Report

To the Members of the Township Board
Charter Township of Benton

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Charter Township of Benton's (the "Charter Township") compliance with the types of compliance requirements identified as subject to audit in the Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on the Charter Township's major federal program for the year ended December 31, 2022. The Charter Township's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Charter Township complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Our responsibilities under those standards and the Uniform Guidance are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Charter Township and to meet our other ethical responsibilities in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Charter Township's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Charter Township's federal program.

To the Members of the Township Board
Charter Township of Benton

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Charter Township's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Charter Township's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Charter Township's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Charter Township's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Charter Township's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control Over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the *Auditor's Responsibilities for the Audit of Compliance* section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

To the Members of the Township Board
Charter Township of Benton

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

September 22, 2023

Charter Township of Benton

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

<u>Federal Agency/Pass-through Agency/Program Title</u>	<u>Assistance Listing Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Provided to Subrecipients</u>	<u>Federal Expenditures</u>
U.S. Environmental Protection Agency - Passed through Michigan Department of Environmental Quality - Clean Water State Revolving Fund Cluster - Clean Water State Revolving Fund Program	66.458	5729-01	\$ -	\$ 4,102,204

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2022

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Charter Township of Benton (the "Charter Township") under programs of the federal government for the year ended December 31, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the Charter Township, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Charter Township.

Note 2 - Summary of Significant Accounting Policies

As the expenditures reported in the Schedule are solely related to ALN 66.458, Capitalization Grants for Clean Water State Revolving Funds (CWSRF) program, those expenditures are reported on the cash basis in accordance with the subrecipient reporting guidelines outlined in the 2022 OMB Compliance Supplement for ALN 66.458.

Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The pass-through entity identifying numbers are presented where available.

The Charter Township has elected not to use the 10 percent *de minimis* indirect cost rate to recover indirect costs, as allowed under the Uniform Guidance.

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

Year Ended December 31, 2022

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes None reported

Noncompliance material to financial statements noted? Yes X None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 2 CFR 200.516(a)? Yes X No

Identification of major programs:

Assistance Listing Number	Name of Federal Program or Cluster
66.458	Clean Water State Revolving Fund Cluster - Clean Water Revolving Fund Program

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes X No

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2022

Section II - Financial Statement Audit Findings

Reference Number	Finding
2022-001	<p>Finding Type - Material weakness</p> <p>Criteria - Controls should be in place to prevent and detect the misappropriation of assets at the Charter Township.</p> <p>Condition - The Charter Township did not perform a timely review of bank reconciliations. Additionally, the Charter Township does not maintain adequate review over online banking controls.</p> <p>Context - During testing of cash, it was noted that bank reconciliations were not reviewed timely. Coupled with the fact that select individuals have the ability to both initiate and approve their own transfers within the online banking system, the opportunity presents itself for the misappropriation of assets without timely identification.</p> <p>Cause - The Charter Township does not have the appropriate controls surrounding segregation of duties in place to prevent or detect the possibility of misappropriation of assets.</p> <p>Effect - The lack of appropriate segregation of duties regarding cash controls opens up the opportunity for the misappropriation of assets without timely identification.</p> <p>Recommendation - The Charter Township should implement timely reviews of bank reconciliations prepared by any individual with the appropriate segregation of duties. The Charter Township should also work with the various financial institutions in order to implement appropriate controls over online banking.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Views: Management acknowledges that not all bank reconciliations were performed and reviewed timely and that this is a repeat finding from 2021. Due to extenuating circumstances with the prior year audit and limited staff capacity throughout the year, recurring processes during the fiscal year were delayed. Management recognizes that timely review of bank reconciliations is a key function of internal controls over cash and will continue to improve processes in the new year. Due to the size of the Charter Township's finance staff, certain functions may require the same person who performs the reconciliation to also be the person responsible for online banking activities.</p> <p>Planned Corrective Actions: Management has established a due date of the last day of the month following the period being reconciled, to prepare, review, and finalize in the system a given reconciliation. In conjunction with the review of the reconciliation, bank access controls will be reviewed on a monthly basis to prevent and detect the misappropriation of assets. These reviews will be tracked in a log created specifically for this process. Management will also consider hiring additional staff as needed throughout the year.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2022

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2022-002	<p>Finding Type - Material weakness</p> <p>Criteria - Year-end journal entries should be properly recorded in accordance with generally accepted accounting principles (GAAP) and should be recorded prior to commencement of the audit.</p> <p>Condition - Year-end journal entries necessary to present the financial statements in accordance with GAAP were identified as part of the audit.</p> <p>Context - There were significant journal entries identified during the audit that were necessary in order to correct account balances within interfunds, cash, fund balance, other assets, unavailable revenue and revenue related to property taxes and special assessments, other governmental receivables, accrued wages and accrued sick/vacation and related expenditure accounts, adjustments to debt balances, and adjustments to pension and OPEB liabilities and related deferrals. Without these adjustments, the financial statements would have been materially misstated.</p> <p>Cause - The Charter Township does not have the appropriate controls in place to verify all appropriate journal entries have been recorded properly and prior to the commencement of the audit.</p> <p>Effect - If the year-end journal entries identified above had not been recorded, the financial statements would have been materially misstated.</p> <p>Recommendation - The Charter Township should continue to work with all applicable departments to ensure its control procedures properly identify and record all year-end journal entries.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Views: Management acknowledges that journal entries were required after the audit began for certain regular year-end close activities and that this is a repeat finding from 2021. However, a significant number of entries were already provided to the auditors and were already in progress at the start of the audit. Management worked with auditors regularly to address any open items, which may have resulted in a journal entry in some cases. Management notes that the number of entries required for the closing fiscal year was significantly less than the number of entries to close the prior fiscal year.</p> <p>Planned Corrective Actions: Management has established weekly, biweekly, and monthly monitoring to identify and address variances or required entries during the year instead of generating too many entries at year-end close. Management will also seek to generate quarterly, interim financial reports for transparency and to provide information to relevant stakeholders on the financial position of the Charter Township. The monitoring will include the review of check registers against invoices generated, manual journal entries entered into the general ledger module, trial balance reports for unusual or unexpected balances, cash balances for investments, and the system audit reports for any changes to the chart of accounts. In addition, there will be monthly reviews of budget to actual information centrally by the finance department, and semimonthly reports will be provided to department heads.</p>

Charter Township of Benton

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2022

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2022-003	<p>Finding Type - Significant deficiency</p> <p>Criteria - Controls should be in place to verify changes to utility billing rates are appropriately updated within the Charter Township's billing module system.</p> <p>Condition - Adjustments to customer billings of approximately \$13,000 were required in order to appropriately reflect the balances that should have been charged to utility billing customers.</p> <p>Context - During testing performed through the audit, it was identified that the annual rate increase charged to utility billing customers for one meter size was not appropriately updated, and, accordingly, utility billing customers were not billed at the appropriate rate.</p> <p>Cause - There is not a process in place at the Charter Township to ensure appropriate review of changes to rates within the utility billing module of the Charter Township's system.</p> <p>Effect - The lack of appropriate control procedures around review of utility rate changes opens up the possibility for customers to be charged incorrect rates.</p> <p>Recommendation - The Charter Township should implement a written procedure related to the timely review of utility rate changes in order to prevent this from occurring in the future.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Views: Management acknowledges that one rate increase was missed, resulting in the need for a small adjustment to customer billings.</p> <p>Planned Corrective Action: Management will create a schedule of utility rate increases in the BS&A system, if possible, to provide for the automatic update to the correct rates. If not possible, a manual schedule will be created and reviewed in line with the designated timing of the increases.</p>

Section III - Federal Program Audit Findings

Current Year None