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September 9, 2021

To the Board of Trustees  
Cohoctah Township  
10518 Antcliff Road  
Fowlerville, MI 48836

Dear Honorable Board of Trustees:

In planning and performing our audit of the financial statements of Cohoctah Township as of and for the year ended March 31, 2021, in accordance with auditing standards generally accepted in the United States of America, we considered Cohoctah Township's internal control over financial reporting (internal control) as a basis for designing audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Township's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore there can be no assurance that all such deficiencies have been identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the following deficiencies in Cohoctah Township's internal control to be material weaknesses:

1. **Establish Control over the Financial Reporting Process** - Management is responsible for establishing and maintaining internal controls, including monitoring, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows, including the notes to financial statements, in conformity with United States of America generally accepted accounting principles.

At times, management may choose to outsource certain accounting functions due to cost or training considerations. Such accounting functions and service providers must be governed by the control policies and procedures of the Township. Management is as responsible for outsourced functions performed by a service provider as it would be if your personnel performed such functions.

Specifically, management is responsible for management decisions and functions: for designating an individual with suitable skill, knowledge, or experience to oversee any outsourced services; and for evaluating the adequacy and results of those services and accepting responsibility for them.

As part of the audit, management requested us to prepare a draft of your financial statements, including the related notes to financial statements. Management reviewed, approved, and accepted responsibility for those financial statements prior to their issuance; however, management did not perform a detailed review of the financial statements. The absence of this control procedure is considered a material weakness because the potential exists that a material misstatement of the financial statements could occur and not be prevented or detected by the Township's internal control.

The existence of significant deficiencies or material weaknesses may already be known to management and may represent a conscious decision by management or those charged with governance to accept that degree of risk because of cost or other considerations. Management is responsible for making decisions concerning costs and the related benefits. We are responsible to communicate significant deficiencies and material weaknesses in accordance with professional standards regardless of management's decisions.

#### **Response By Management**

Management believes the perceived benefit of more control over the financial reporting process does not exceed the related cost. Therefore, management has chosen to continue to request the auditors to prepare the financial statements.

2. **Segregate Accounting Duties** - A good system of internal control provides for a proper segregation of the accounting functions. The Township does not have the proper segregation of duties over cash receipts and disbursements. Proper segregation is not always possible in a small organization, but limited segregation to the extent possible can and should be implemented to reduce the risk of errors or fraud. We recommend that management review the current assignment of accounting functions. Where possible, duties should be segregated to reduce the risk or errors or fraud.

#### **Response By Management**

Management has reviewed and continues to review the current assignment of accounting functions. Management understands the importance of segregating accounting duties in order to reduce the risk of errors or fraud. However, because of limited staff and funds it is difficult to segregate duties to the extent which would be considered the perfect segregation. Management does not believe the benefits of hiring additional staff at this point in time would outweigh the costs of the additional staff.

#### **CONCLUSION**

Thank you for your assistance and hospitality toward our firm while conducting the audit of Cohoctah Township.

If you should have any questions, comments or concerns please do not hesitate to call us.

This communication is intended solely for the information and use of the Board of Trustees and management of Cohoctah Township and is not intended to be, and should not be, used by anyone other than the specified parties.

*Pfeffer, Hanniford & Palka, P.C.*

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