

creation and implementation of the Section 401a Plan with Burnham & Flower, Ms. Martin indicates that there was not an extensive discussion regarding the necessity to continue contributing to Medicare, as opposed to social security. She recalls the issue being raised to the Township Board by a Ms. Ruth Templeton. The Township investigated the concern raised by Ms. Templeton and was advised by Burnham & Flower that it was necessary to continue contributions to Medicare. The Township Board then adopted the appropriate resolution to conform the Plan documents to this requirement and instructed the Clerk, Mr. Dahlstrom, to reconcile the payroll accounts of the Plan participants to make the correction and make the appropriate contributions and reimbursement to the Michigan Department of Treasury. Ms. Martin made clear that the Supervisor is not the Township official responsible for payroll, but that responsibility is with the Township Clerk. Ms. Martin expressed her outrage and frustration at Mr. Dahlstrom's allegations that she was engaged in embezzlement, fraud and "irregularities" with regard to the Section 401a Plan and denies those allegations.

We received correspondence from former Treasurer LeBlanc on July 16, 2007, in which he accepts our invitation to provide relevant information regarding this matter. His recollection of the events regarding the omission of Medicare contributions is related to the efforts of Clerk Dahlstrom to implement a conversion to a BS & A Fund accounting software. He recalls that implementation of the software revealed possible deficiencies in Medicare contributions. He also documents that there had been prior issues regarding the Township's ability to properly account for federal and state payroll withholding liability in years previous to 2006. Former Treasurer LeBlanc clearly states: "It is my belief that the underpayment or non-payment of Medicare withholding for Township elected officials was a mistake made in good faith." He further states: "It is possible that the details of Medicare withholding were overlooked when the new elected officials' retirement plan was set up by Burnham & Flower."

We find that there is no basis to the claim of Mr. Dahlstrom that Ms. Martin or any other official of the Township was engaged in embezzlement, fraud or irregularities with regard to the Section 401a Plan implemented by the Township from June of 2006. As the Plan was being implemented and the 7.65% contributions were being made, there was a misunderstanding as to whether the 1.45% contribution to Medicare was still required considering the Township's adoption of a Section 218 Agreement and Plan with the Social Security Administration. When a concern was raised by a citizen regarding the Township's implementation of the Plan with regard to this contribution, the Township engaged in an immediate investigation