

Charter Township of Redford

**Federal Awards
Supplemental Information
March 31, 2014**

Charter Township of Redford

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Report on Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

Independent Auditor's Report

To the Board of Trustees
Charter Township of Redford

We have audited the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Redford (the "Township") as of and for the year ended March 31, 2014 and the related notes to the basic financial statements, which collectively comprise the Township's basic financial statements. We issued our report thereon dated August 27, 2014, which contained unmodified opinions on those basic 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 basic financial statements subsequent to August 27, 2014.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moran, PLLC

August 27, 2014

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 Board of Trustees
Charter Township of Redford

We have audited, in accordance with the 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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter Township of Redford (the "Township") as of and for the year ended March 31, 2014, and the related notes to the basic financial statements, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated August 27, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the Charter Township of Redford's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic 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 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 a certain deficiency in internal control that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

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 deficiency described in the accompanying schedule of findings and questioned costs as Finding 2014-001 to be a material weakness.

To Management and the Board of Trustees
Charter Township of Redford

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 deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2014-002 and 2014-004 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Redford'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 determination of financial statement amounts. 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 an instance of noncompliance that is required to be reported under *Government Auditing Standards*, and which is described in the accompanying schedule of findings and questioned costs as Finding 2014-003.

Charter Township of Redford's Responses to the Findings

The Charter Township of Redford's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Charter Township of Redford's responses were not subjected to the 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 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 Township's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

August 27, 2014

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Trustees
Charter Township of Redford

Report on Compliance for Each Major Federal Program

We have audited the Charter Township of Redford's (the "Township") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2014. The Charter Township of Redford's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Charter Township of Redford's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Charter Township of Redford's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Charter Township of Redford's compliance.

To the Board of Trustees
Charter Township of Redford

Opinion on Each Major Federal Program

In our opinion, the Charter Township of Redford complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended March 31, 2014.

Report on Internal Control Over Compliance

The management of the Charter Township of Redford is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Charter Township of Redford's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Township's 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

August 27, 2014

Charter Township of Redford

Schedule of Expenditures of Federal Awards Year Ended March 31, 2014

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/Grant Number	Federal Expenditures
U.S. Department of Housing and Urban Development:			
CDBG Entitlement Grants Cluster - Community Development Block Grants/Entitlement Grants:			
Program year 2012 - B-11-MC-26-0029	14.218	N/A	
Program year 2011 - B-11-MC-26-0029	14.218	N/A	
Program year 2010 - B-10-MC-26-0029	14.218	N/A	
Program year 2009 - B-09-MC-26-0029	14.218	N/A	
Total Community Development Block Grants			\$ 1,352,424
Neighborhood Stabilization Program - Program year 2008 - B-08-MN-26-0010	14.218	N/A	<u>315,140</u>
Total U.S. Department of Housing and Urban Development			1,667,564
U.S. Department of Justice:			
ARRA - COPS Hiring Recovery Program Grant (CHRP)	16.710	N/A	90,244
2011 COPS Hiring Program	16.710	N/A	<u>312,090</u>
Subtotal of Community Oriented Policing Services Grants including ARRA			402,334
Edward Byrne Memorial Justice Assistance Grant Program 2012 - Passed through Wayne County	16.738	2012 DJ-BX-0730	8,083
Federal Equitable Sharing Program	16.922	N/A	<u>321,414</u>
Total U.S. Department of Justice			731,831
Department of Homeland Security - SAFER (Staffing for Adequate Fire and Emergency Response - Hiring Program)	97.044	N/A	129,530
Environmental Protection Agency - EPA Brownfields Assessment Grant	66.818	N/A	<u>36,024</u>
Total federal awards			<u>\$ 2,564,949</u>

Charter Township of Redford

Notes to Schedule of Expenditures of Federal Awards Year Ended March 31, 2014

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Charter Township of Redford under programs of the federal government for the year ended March 31, 2014. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of the Charter Township of Redford, it is not intended to, and does not, present the financial position, changes in net position, or cash flows, if applicable, of the Charter Township of Redford. Pass-through entity identifying numbers are presented where available.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the Schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 10,000

Charter Township of Redford

Schedule of Findings and Questioned Costs Year Ended March 31, 2014

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

Noncompliance material to financial statements noted?

Yes No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes 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 510(a) of Circular A-133?

Yes No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant Cluster, including Neighborhood Stabilization Program
16.710	ARRA - COPS Hiring Recovery Program (CHRP) and 2011 COPS Hiring Program

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? Yes No

Charter Township of Redford

Schedule of Findings and Questioned Costs (Continued) Year Ended March 31, 2014

Section II - Financial Statement Audit Findings

Reference

Number

Finding

2014-001 **Finding Type** - Material weakness

Criteria - Management's goal is to prepare accounting records that are ready for publishing in an annual financial statement in accordance with generally accepted accounting principles.

Condition - In performing our audit, there were instances whereby accounting records required adjustment.

Context - We noted that the finance staff has a high level of understanding of generally accepted accounting principles. The majority of entries were proposed by the finance staff; however, there were instances whereby the audit team proposed journal entries. These entries were not material individually or in the aggregate.

Cause - It would appear that the finance staff has a significant workload relative to the number of employees. This makes it difficult to completely close the annual accounting records without any adjustments in time for the scheduled start of the audit.

Effect - As a result, our audit procedures typically identify some adjustments to be made. This year's adjustments were in line with prior years. While the entries were not material individually or in the aggregate in the current year, future adjustments could be material if finance does not have the appropriate resources.

Recommendation - It may or may not be beneficial to change the present situation. The Township should consider the costs relative to the benefits of hiring additional personnel.

Views of Responsible Officials and Planned Corrective Actions - Management agrees with the finding and recommendation. The Township will focus on attempting to record all entries prior to the start of future audits.

Charter Township of Redford

Schedule of Findings and Questioned Costs (Continued) Year Ended March 31, 2014

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2014-002	<p>Finding Type - Significant deficiency</p> <p>Criteria - Spreadsheets prepared for year-end journal entries should be reviewed for accuracy and agreed to source documents prior to entry posting.</p> <p>Condition - In performing our audit, there were instances where spreadsheets given to auditors did not accurately reflect journal entries to be made. As such, the year-end balance for certain accounts was misstated and required adjustments.</p> <p>Context - The adjustments were related to year-end balances of compensated absences. The spreadsheets did not reflect the underlying contract provisions, and required adjustment.</p> <p>Cause - Spreadsheets were not reviewed by another member of the finance team for accuracy prior to posting entries.</p> <p>Effect - As a result, some of the accounting misstatements that would be expected to be caught by an internal review process were not identified.</p> <p>Recommendation - We recommend that management review all accounting schedules prior to the start of the audit.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Management will put into place a process whereby spreadsheets are reviewed by someone within the finance department prior to recording entries for audit.</p>

Charter Township of Redford

Schedule of Findings and Questioned Costs (Continued) Year Ended March 31, 2014

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2014-003	<p>Finding Type - Material noncompliance with laws and regulations</p> <p>Criteria - Michigan P.A. 213 of 2007 requires that investment reports are to be provided to the governing body at least on a quarterly basis.</p> <p>Condition - The Township does not have a mechanism in place for ensuring that quarterly investment reports are submitted to the Board.</p> <p>Context - During our testing, it was noted that investment reports were not submitted to the Board timely.</p> <p>Cause - Lack of controls in place to ensure that investment reports were submitted in accordance with Michigan laws and regulations.</p> <p>Effect - As a result, the Township was not in compliance with laws and regulations, specifically Public Act 213 of 2007.</p> <p>Recommendation - We recommend that management ensure that quarterly investment reports are submitted to the Township Board.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Management agrees with the finding, and has since issued an investment report to the Board.</p>

Charter Township of Redford

Schedule of Findings and Questioned Costs (Continued) Year Ended March 31, 2014

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2014-004	<p>Finding Type - Significant deficiency</p> <p>Criteria - Management should have effective procedures and controls in place to reconcile cash activity monthly.</p> <p>Condition - During the year, bank reconciliations contained reconciling items that were not resolved monthly. The amounts were insignificant in total.</p> <p>Context - During our testing, it was noted that bank reconciliations after October 2013 contained reconciling items that were not resolved.</p> <p>Cause - Issues began with cash reconciliations in October 2013 when the Township converted the accounting system from Pentamation to BS&A. Transactions from the old system could not be voided in the new system, leading to reconciling items. Journal entries were not made to correct the reconciling items until after year end.</p> <p>Effect - As a result, cash balances were overstated and expenditures were understated by approximately \$14,000 at year end. While this is an insignificant amount to the financial statements, without proper monthly reconciliations, the amounts could be significant.</p> <p>Recommendation - We recommend that issues with bank reconciliations be fixed during the month of discrepancy and not carried forward.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Management has identified the reason for the reconciling item and is in the process of ensuring all items are identified and corrected in the period of reconciliation.</p>

Charter Township of Redford

Schedule of Findings and Questioned Costs (Continued) Year Ended March 31, 2014

Section III - Federal Program Audit Findings

None

Charter Township of Redford

Summary Schedule of Prior Audit Findings Year Ended March 31, 2014

<u>Prior Year Finding Number</u>	<u>Federal Program</u>	<u>Original Finding Description</u>	<u>Status</u>	<u>Planned Corrective Action</u>
2012-5 and 2013-002	ARRA - CHRP (COPS Hiring Recovery Program) Grant, CFDA #16.710, U.S. Department of Justice	Salaries and fringes were charged to the grant in excess of allowable amounts. In addition, overtime was also charged to the grant.	Corrected	N/A