

Charter Township of Plymouth

**Federal Awards
Supplemental Information
December 31, 2012**

Charter Township of Plymouth

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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 Plymouth

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 Plymouth (the "Township") as of and for the year ended December 31, 2012 and the related notes to the basic financial statements, which collectively comprise the Township's basic financial statements. We issued our report thereon dated June 25, 2013, which contained unmodified opinions on the basic financial statements of governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. Our audit was conducted for the purpose of forming an opinion 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 June 25, 2013.

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 financial statements as a whole.

Plante & Moran, PLLC

Southfield, Michigan
September 27, 2013

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 Plymouth

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 Plymouth (the "Township") as of and for the year ended December 31, 2012 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 June 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the Charter Township of Plymouth'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 opinion 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; 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.

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 2012-1 to be a material weakness.

To Management and the Board of Trustees
Charter Township of Plymouth

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Charter Township of Plymouth'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Charter Township of Plymouth's Response to the Finding

The Charter Township of Plymouth's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Charter Township of Plymouth's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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

Southfield, Michigan
June 25, 2013

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

Independent Auditor's Report

To the Board of Trustees
Charter Township of Plymouth

Report on Compliance for the Major Federal Program

We have audited the Charter Township of Plymouth'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 its major federal program for the year ended December 31, 2012. The Charter Township of Plymouth's major federal program is 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 its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the Charter Township of Plymouth's major federal program 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 Plymouth'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 the major federal program. However, our audit does not provide a legal determination of the Charter Township of Plymouth's compliance.

To the Board of Trustees
Charter Township of Plymouth

Basis for Qualified Opinion on 16.922, Federal Equitable Sharing Program

As described in the accompanying schedule of findings and questioned costs, the Charter Township of Plymouth did not comply with requirements regarding CFDA 16.922, Federal Equitable Sharing Program as described in Finding 2012-2 related to Davis-Bacon.

Compliance with such requirements is necessary, in our opinion, for the Charter Township of Plymouth to comply with the requirements applicable to that program.

Qualified Opinion on 16.922, Federal Equitable Sharing Program

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Charter Township of Plymouth complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on 16.922, Federal Equitable Sharing Program for the year ended December 31, 2012. The results of our auditing procedures also disclosed another instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2012-2.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as Finding 2012-2. Our opinion on the major federal program is not modified with respect to this matter, other than Davis-Bacon as mentioned above.

The Charter Township of Plymouth's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The Charter Township of Plymouth's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control Over Compliance

The management of the Charter Township of Plymouth 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 Plymouth's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the 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.

To the Board of Trustees
Charter Township of Plymouth

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

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. We consider the deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as Findings 2012-2 and 2012-3, to be material weaknesses.

The Charter Township of Plymouth's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. The Charter Township of Plymouth's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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

Southfield, Michigan
September 27, 2013

Charter Township of Plymouth

Schedule of Expenditures of Federal Awards Year Ended December 31, 2012

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development - Passed through Wayne County - CDBG Entitlement Grant Cluster - Community Development Block Grant	14.218	Unit 22	\$ 106,193
U.S. Department of Justice: JAG Program Cluster - Passed through the Western Wayne Narcotics Enforcement Team - Edward Byrne Memorial Justice Assistance Grant Program	16.738	JAG 72197-9-13-B	91,823
Equitable Sharing of Federally Forfeited Property	16.922	n/a	<u>500,256</u>
Total Department of Justice			<u>592,079</u>
Total federal awards			<u>\$ 698,272</u>

Charter Township of Plymouth

Note to Schedule of Expenditures of Federal Awards Year Ended December 31, 2012

Note - 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 Plymouth under programs of the federal government for the year ended December 31, 2012. 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 Plymouth, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of the Charter Township of Plymouth. Pass-through entity identifying numbers are presented where available.

Charter Township of Plymouth

Schedule of Findings and Questioned Costs Year Ended December 31, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

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: Qualified

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 program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
16.922	Federal Equitable Sharing 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 Plymouth

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

Section II - Financial Statement Audit Findings

Reference Number	Finding
2012-1	<p>Finding Type - Material weakness</p> <p>Criteria - Preventive controls should be in place to ensure that all bank reconciliations are prepared timely and reviewed monthly.</p> <p>Condition - The general checking bank reconciliation for December 2012 was prepared timely but continued to have an unreconciled difference in June 2013. In addition, there is no documented indication that bank reconciliations are being reviewed.</p> <p>Context - The December 2012 bank reconciliation continued to have an unreconciled difference in June 2013 of \$37,606. A second review was not documented on any bank reconciliations.</p> <p>Cause - In prior years, the Township had a process in place; however, there was no review documented. Beginning in 2012, the Township was no longer following a consistent review process and it continued to not be documented. Proper controls were not in place to ensure that segregation of duties and reviews exist.</p> <p>Effect - As a result, the December 2012 bank reconciliation was not reconciled timely and no bank reconciliations had indications of being reviewed.</p> <p>Recommendation - We recommend that the Township implement the proper internal controls and segregation of duties to ensure that bank reconciliations are reconciled timely, reviewed timely, and that reviews are documented for bank reconciliations.</p> <p>Views of Responsible Officials and Planned Corrective Actions - In late 2011, the former clerk issued a directive for the accountant to no longer conduct a review process for bank reconciliations that had been in place. Following this directive, the treasurer's department instated an informal bank reconciliation review process. The bank reconciliation process will resume immediately between the clerk and treasurer's office. For 2013, the Township has established a board financial review process for bank reconciliations on a regular basis.</p>

Charter Township of Plymouth

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

Section III - Federal Program Audit Findings

Reference Number	Finding
2012-2	<p>Program Name - 16.922, Federal Equitable Sharing Program, direct payments for specified use (Cooperative agreements - Drug Forfeitures)</p> <p>Pass-through Entity - None (direct recipient)</p> <p>Finding Type - Material weakness and material noncompliance with laws and regulations</p> <p>Criteria - The Township is required to maintain internal control over compliance for federal programs that provides reasonable assurance that the Township is managing federal awards in compliance with laws, regulations, and provisions of contracts or grant agreements that could have a material effect on its federal program.</p> <p>Condition - Prior to 2011, most of the Township's federal awards were expended as CDBG pass-through awards from Wayne County, wherein the County monitored compliance with federal regulations. Beginning in 2012, the Township began receiving more significant amounts of federal awards directly, through the Federal Equitable Sharing program. As these circumstances changed, the Township did not institute a system to prevent noncompliance or to detect and correct noncompliance in a timely manner. As a result, our audit identified several instances on noncompliance:</p> <ol style="list-style-type: none">1. The Davis-Bacon requirements were not followed for certain construction costs in the police department - carport, carpet replacement, and paint work, totaling \$77,447.2. The Equitable Sharing Agreement and Certification report filed for the year ended December 31, 2012 had minor errors in it:<ol style="list-style-type: none">a. After filing the report, the Township identified that additional costs of approximately \$20,000 had not been included as grant allowable costs.b. In preparing for the single audit, the Township identified two purchases totaling \$3,591 that were improperly charged to the grant; the Township has subsequently reversed these amounts.c. Federal sharing funds received from Redford Township of \$18,188 were not included on the form (should have been included on Line 3, funds received from other law enforcement agencies).

Charter Township of Plymouth

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2012-2 (Continued)	<p>3. The DAG log has gaps in the numbering sequence and was not updated for all the awards received from the Department of Justice. There were cases that were closed that had not been updated on the DAG log.</p> <p>4. The Township was not able to prepare a schedule of expenditures of federal awards before the start of the single audit engagement.</p>

Questioned Costs - \$77,447

Context - During the year, the Township made several inquiries to us regarding the various compliance requirements applicable to the Equitable Sharing program, from both the police chief and the treasurer. This is a strong indicator of an adequate control environment, in that the primary officials were making inquiries and attempting to comply with federal regulations throughout the year. In addition, the Equitable Sharing Agreement and Certification report was due to be filed February 28, before the Township's books were completely closed. The Township was aware that an amended report would subsequently be required.

Cause and Effect - The federal compliance requirements associated with the Equitable Sharing program are relatively complex. Prior to 2012, most of the Township's federal awards were expended as CDBG pass-through awards from Wayne County, which is overseen by a Township employee with expertise in the federal program, as well as Wayne County personnel; this combination has worked well to ensure compliance with federal regulations. However, the requirements of the federal equitable sharing program are new to the Township, and are being overseen by individuals who historically have not had responsibilities for managing large federal programs.

Recommendation - We recommend that the Township identify an individual with appropriate federal program skills to oversee compliance with the federal equitable sharing programs, and provide ongoing training for this individual. While we do not have knowledge of any individual employee's capacity for additional responsibilities, it might be appropriate to consider using the expertise already developed by the CDBG program manager to assist; alternatively, the Township could select someone more familiar with the police department operations, and provide additional training in federal grant program management (or some combination of those two approaches).

Charter Township of Plymouth

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2012-2 (Continued)	Views of Responsible Officials and Planned Corrective Actions - The Township obtained a copy of the federal "Guide to Equitable Sharing for State and Local Law Enforcement Agencies" which was published in April 2009, to use as a guide in spending its federal drug forfeiture grant. However, this guide does not include any information regarding the Davis-Bacon requirements or many of the other general compliance requirements that apply to federal grants in general. The Township management was not aware of these other requirements. However, during 2013 the Township will evaluate putting a system in place to identify the various federal requirements that will apply to the federal equitable sharing program, and institute a process to ensure compliance.

Reference Number	Finding
2012-3	Program Name - 16.922, Federal Equitable Sharing Program, direct payments for specified use (Cooperative agreements - Drug Forfeitures) Pass-through Entity - None (direct recipient) Finding Type - Material weakness Criteria - The Township's general ledger should directly support the financial reports filed with the federal government. Condition - The 2012 Equitable Sharing Agreement and Certification report originally filed in February 2013 required manual adjustments to reconcile to the Township's 2012 general ledger. Questioned Costs - None

Charter Township of Plymouth

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2013-3 (Continued)	<p>Context - It should be noted that the amounts reported appear to be an accurate reflection of the activity that had been posted to the accounting records at that time. Minor inaccuracies in the general ledger had to be manually corrected to create the annual certification report (approximately \$1,700 of state forfeiture revenue was reported as federal; \$3,097 of federal forfeitures transferred in from other local agencies was reported as federal; and \$107,246 of cost reimbursements was reported as federal revenue, rather than reimbursements). As of September 2013, the Township's final trial balances show federal expenditures, net of reimbursements, that are approximately \$17,000 different than the \$465,000 of expenditures as originally reported. The Township is in the process of amending the report.</p> <p>Cause and Effect - The general ledger is structured in a way that commingles federal and state drug forfeiture activity; while there are two separate revenue accounts, the activity posted to these accounts is not always accurate (federal revenues posted to state revenue, and vice versa); in addition, the general ledger does not separate expenditures or residual fund balance between the state and federal programs. Lastly, the general ledger does not include separate revenue accounts for program revenue, or amounts transferred in from other local agencies. Therefore, in order to prepare the financial reports for the federal equitable sharing program, there is manual work that is required.</p> <p>Recommendation - The Township already has separate bank accounts for the state drug forfeiture program and the federal drug forfeiture program, as well as separate revenue accounts. We recommend that the Township add separate accounts within Fund 265 for federal versus state expenditures as well as fund balance. In addition, the general ledger should add separate revenue accounts for program revenue and amounts transferred in from other local agencies. This should make it easier for the general ledger to directly support preparation of financial reports for the federal equitable sharing program.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The Township was able to reconstruct the detailed financial activity that supported the annual certification report. However, the Township will separate the state drug forfeiture program, and use Fund #265 for only the federal equitable sharing program activity; in addition, it will create separate accounts for equitable sharing passed through other local agencies, as well as for cost reimbursements. This should allow the general ledger balances to directly support the annual certification.</p>