

# **City of Romulus, Michigan**

---

**Federal Awards  
Supplemental Information  
June 30, 2011**

# City of Romulus, Michigan

---

## Contents

Independent Auditor's Report	I
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2-3
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	4-5
Schedule of Expenditures of Federal Awards	6
Note to Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8-14

## Independent Auditor's Report

To the Honorable Mayor and  
Members of the City Council  
City of Romulus, Michigan

We have audited the 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 City of Romulus, Michigan (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 20, 2011. These basic financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Romulus, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

December 20, 2011

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 the Honorable Mayor and  
Members of the City Council  
City of Romulus, Michigan

We have audited the 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 City of Romulus, Michigan (the "City") as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 20, 2011. We have conducted our audit 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the City of Romulus, Michigan's internal control over financial reporting as a basis for designing our auditing procedures 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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting 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 described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

To the Honorable Mayor and  
Members of the City Council  
City of Romulus, Michigan

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 City'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 to be material weaknesses. These items are referenced as Findings 2011-1, 2011-2, and 2011-3 in the schedule of findings and questioned costs.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Romulus, Michigan's financial statements are free of 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*.

We also noted certain matters that we have reported to management of the City of Romulus, Michigan in a separate letter dated December 20, 2011.

The City of Romulus, Michigan's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City of Romulus, Michigan's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Honorable Mayor and members of the City Council, others within the City, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

December 20, 2011

**Report on Compliance with Requirements That Could Have a Direct  
and Material Effect on Each Major Program and on Internal Control  
Over Compliance in Accordance with OMB Circular A-133**

**Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council  
City of Romulus, Michigan

**Compliance**

We have audited the compliance of the City of Romulus, Michigan (the "City") 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 June 30, 2011. The major federal programs of the City of Romulus, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the City of Romulus, Michigan's management. Our responsibility is to express an opinion on the City of Romulus, Michigan's compliance based on our audit.

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 City of Romulus, Michigan'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. Our audit does not provide a legal determination on the City of Romulus, Michigan's compliance with those requirements.

In our opinion, the City of Romulus, Michigan complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements that 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 2011-4.

To the Honorable Mayor and  
Members of the City Council  
City of Romulus, Michigan

### **Internal Control Over Compliance**

The management of the City of Romulus, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the City of Romulus, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 City's internal control over compliance.

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 a certain deficiency in internal control over compliance that we consider to be a material weakness.

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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2011-4 to be a material weakness.

The City of Romulus, Michigan's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City of Romulus, Michigan's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the Honorable Mayor and members of the City Council, others within the City, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Morse, PLLC*

December 20, 2011

# City of Romulus, Michigan

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2011

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Housing and Urban Development - CDBG Entitlement Grants Cluster - Passed through Wayne County - Community Development Block Grant	14.218	Various	\$ 49,304
U.S. Department of Justice: JAG Program Cluster - Passed through Wayne County: Edward Byrne Memorial Justice Assistance Grant	16.738	2009-DJ-BX-0788	-
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.804	2009-SB-B9-1422	<u>52,676</u>
Total JAG Program Cluster			52,676
Asset Forfeiture and Money Laundering Section	16.unknown	DAG-72	371,262
Bulletproof Vest Partnership Program	16.607	Various	2,750
Passed through Downriver Community Conference (DCC): COPS VI Grant	16.710	N/A	12,999
Congressionally Recommended Awards - COPS VII Grant	16.753	N/A	<u>19,000</u>
Total Passed through DCC			<u>31,999</u>
Total U.S. Department of Justice			458,687
U.S. Department of Transportation - Highway Planning and Construction Cluster - Federal Highway Administration - Passed through the State of Michigan: ARRA - Highway Research Planning and Construction	20.205	09-5728	14,727
ARRA - Highway Research Planning and Construction	20.205	09-5727	<u>51,863</u>
Total U.S. Department of Transportation			66,590
U.S. Department Energy - Passed through the State of Michigan - ARRA - Energy Efficiency and Conservation Multi-purpose Block Grant	81.128	BES-10-107	87,076
U.S. Department of Homeland Security - Staffing for Adequate Fire and Emergency Response (SAFER)	97.044	EMW-2010-FH-00682	<u>122,526</u>
Total federal expenditures			<u><u>\$ 784,183</u></u>

# City of Romulus, Michigan

---

## **Note to Schedule of Expenditures of Federal Awards Year Ended June 30, 2011**

### **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 City of Romulus, Michigan under programs of the federal government for the year ended June 30, 2011. 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 City of Romulus, Michigan, it is not intended to and does not present the financial position, changes in net assets, or cash flows, if applicable, of the City of Romulus, Michigan. Pass-through entity identifying numbers are presented where available.

# City of Romulus, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2011

### 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: Unqualified

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:

CFDA Numbers	Name of Federal Program or Cluster
16.unknown 97.044	Asset Forfeitures and Money Laundering Section Staffing for Adequate Fire and Emergency Response (SAFER)

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

Auditee qualified as low-risk auditee?  Yes  No

# City of Romulus, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

### Section II - Financial Statement Audit Findings

Reference Number	Finding
2011-1	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - Bank reconciliations should be completed on a timely basis.</p> <p><b>Condition</b> - The City did not prepare timely bank reconciliations for the pooled cash account during the year ended June 30, 2011.</p> <p><b>Context</b> - This year's audit testing indicated that during the fiscal year there was a delay of up to approximately eight months from the time the monthly bank statement was received until the time the bank reconciliations were prepared for the pooled cash account.</p> <p><b>Cause</b> - The timing of cash receipt postings to the bank statement differed from the timing of these postings to the general ledger, resulting in difficulties in performing the reconciliations, especially if the postings to the general ledger occurred in batches that were difficult to trace to source documents.</p> <p><b>Effect</b> - If bank reconciliations are not prepared and reviewed timely, the risk for misappropriation of assets to occur without detection is increased and it may also have an adverse impact on efficiencies related to internal financial reporting.</p> <p><b>Recommendation</b> - The City should prepare all bank reconciliations on a timely basis.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The City concurs with the recommendation and will attempt to prepare all reconciliations on a timely basis in the future.</p>

# City of Romulus, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

### Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2011-2	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - The City police department is responsible for implementing procedures surrounding the control of evidence stored at the department and the administration of state forfeiture funds in accordance with applicable regulations.</p> <p><b>Condition</b> - A fraud was alleged regarding misappropriation of state forfeiture funds by several former members of the police department. Based on discussions with management and the Michigan State Police investigator, it is alleged that the former police chief and certain officers together circumvented controls and did not follow standard practice in the handling and administration of state forfeiture funds.</p> <p><b>Context</b> - Based on discussions with management and the Michigan State Police investigator, certain evidence was not stored in the police department's secured evidence room and was not logged into the computerized system responsible for tracking items in the evidence room consistent with normal evidence handling procedures. In addition, it was alleged that certain expense reports approved by department management were not supported by adequate documentation.</p> <p><b>Cause</b> - The alleged activities involved the former police chief and special investigations unit officers who may not have established and consistently followed standard practices applicable to state forfeiture funds.</p> <p><b>Effect</b> - The accused officers are alleged to have colluded to misappropriate state forfeiture funds.</p> <p><b>Recommendation</b> - The City should complete its review of this matter. As part of the changes occurring at the police department, the City should ensure that appropriate policies and procedures surrounding control of evidence held at the police department and adequate supporting documentation for expense reimbursements are in place and operating effectively.</p>

# City of Romulus, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

### Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2011-2 (Continued)	<b>Views of Responsible Officials and Planned Corrective Actions</b> - The City has suspended the accused officers and has hired a new chief who has focused on compliance with appropriate policies and procedures. The City is also performing a forensic review to determine the exact nature and extent of misappropriation of state forfeiture funds. The City is participating in an ongoing investigation with the Michigan State Police and the Wayne County Prosecutor's Office. The City has also informed the Michigan Department of Treasury of these events.

# City of Romulus, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

### Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2011-3	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - For the period under audit, SAS 115 was effective, under which certain adjusting entries indicative of control matters now represent material weaknesses.</p> <p><b>Condition</b> - In connection with the City's financial statement audit for the year ended June 30, 2011, the City was required to post several entries, including entries to properly reflect beginning net assets in the Water and Sewer Fund, to adjust certain payments between cash reductions and accounts payable, to record certain prepaid expenses, to record airport share of tax levy, to record amortization of bond issuance costs, and to record grant receivables. In addition, the following entries were noted as significant passed adjustments: an entry to record the compensated absences at year end of the 34th District Court, an entry to record accrued interest expense, an entry to properly reflect the portion of Romulus Athletic Center (RAC) prepaid memberships that were unearned as of year end, and an entry to adjust delinquent personal property taxes receivable.</p> <p><b>Context</b> - Historically, the City's auditors have recommended journal entries as part of the audit. With the implementation of Statement on Auditing Standards (SAS) No. 115, <i>Communicating Internal Control-related Matters Identified in an Audit</i>, SAS 115 now defines entries of this nature to be significant deficiencies.</p> <p><b>Cause</b> - The adjusting entries related to the difference between the prior year ending net assets and the amount recorded that was not properly coded in the financial reporting system, amounts paid after year end but recorded as reductions to cash rather than accounts payable, items not recorded as prepaid expenses at year end, the airport share of tax levy revenue that was not shown at year end, the bond issuance costs that were not amortized for the year, and grant receivables that were not recorded at year end. The entries related to significant passed adjustments were not recorded by the City, as they do not have a material impact on the financial statements.</p>

# City of Romulus, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

### Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2011-3 (Continued)	<p><b>Effect</b> - The City's unadjusted financial statements were misstated by the difference between the prior year ending net assets and the amount recorded, amounts paid after year end but recorded as reductions to cash rather than accounts payable, amounts not recorded as prepaid expenses at year end, the amount of the airport share of tax levy revenue that was not shown at year end, the amount of bond issuance costs that were not amortized for the year, the amount of grant receivables that were not recorded at year end, the amount of the 34th District Court compensated absences, the amount of accrued interest expense, the amount of unearned prepaid memberships related to the RAC, and an estimated allowance for uncollectible delinquent personal property taxes.</p> <p><b>Recommendation</b> - The City should attempt to post all material year-end closing entries prior to the start of the audit.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The City will continue to focus on attempting to record all material closing entries prior to the start of future audits.</p>

# City of Romulus, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2011

### Section III - Federal Program Audit Findings

Reference Number	Finding
2011-4	<p><b>Program Name</b> - Asset Forfeiture and Money Laundering Section</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Material weakness and material noncompliance with laws and regulations</p> <p><b>Criteria</b> - Management's goal is to timely submit the annual equitable sharing agreement and certification related to the activities of the grant program.</p> <p><b>Condition</b> - The City did not timely file the equitable sharing agreement and certification with the Department of Justice required during the fiscal year.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - The equitable sharing agreement and certification were accurately prepared but were not filed timely.</p> <p><b>Cause and Effect</b> - The City has been informed in the past that there is no extension process for this report; however, they will not receive grant funding during the time the report is past due; therefore, the City did not file the report until it could be accurately prepared using reconciled financial data (see Finding 2011-1 regarding preparation of timely bank reconciliations).</p> <p><b>Recommendation</b> - We recommend that the City ensure that the equitable sharing agreement and certification are submitted within the required timeframe.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The City concurs with the recommendation and will implement procedures to file the report timely in the future.</p>