

# **City of Roseville, Michigan**

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**Federal Awards  
Supplemental Information  
June 30, 2016**

# City of Roseville, Michigan

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Report on Schedule of Expenditures of Federal Awards  
Required by the Uniform Guidance

Independent Auditor's Report

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

We have audited the financial statements of the governmental activities, the discretely presented component unit, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Roseville, Michigan (the "City") as of and for the year ended June 30, 2016 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 12, 2016, which contained unmodified opinions on the basic financial statements. 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 financial statements subsequent to December 12, 2016.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by the Uniform Guidance 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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*

December 12, 2016

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

We have audited, 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, the financial statements of the governmental activities, the discretely presented component unit, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Roseville, Michigan (the "City") as of and for the year ended June 30, 2016, and related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 12, 2016.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City of Roseville, Michigan'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 financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City'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 certain deficiencies in internal control that we consider to be material weaknesses.

To Management, the Honorable Mayor,  
and Members of the City Council  
City of Roseville, 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. 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 Findings 2016-001 and 2016-002 described in the accompanying schedule of findings and questioned costs to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City of Roseville, Michigan'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*.

### **City of Roseville, Michigan's Responses to Findings**

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

*Plante & Moran, PLLC*

December 12, 2016

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

Independent Auditor's Report

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

**Report on Compliance for the Major Federal Program**

We have audited the City of Roseville, Michigan's (the "City") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Compliance Supplement that could have a direct and material effect on its major federal program for the year ended June 30, 2016. The City of Roseville, Michigan'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 City of Roseville, Michigan'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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance 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 Roseville, 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the City of Roseville, Michigan's compliance.

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

### ***Opinion on the Major Federal Program***

In our opinion, the City of Roseville, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2016.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as Finding 2016-003. Our opinion on the major federal program is not modified with respect to these matters.

The City of Roseville, Michigan's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Roseville, Michigan'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**

Management of the City of Roseville, Michigan 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 City of Roseville, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on the 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 the Uniform Guidance, 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and another deficiency that we consider to be a significant deficiency.

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

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 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 2016-004 to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2016-003 to be a significant deficiency.

The City of Roseville, Michigan's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Roseville, Michigan'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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Plante & Moran, PLLC*

December 12, 2016

# City of Roseville, Michigan

## Schedule of Expenditures of Federal Awards Year Ended June 30, 2016

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Total Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Housing and Urban Development:				
Community Development Block Grants -				
Entitlement Grants Cluster:				
Direct awards - CDBG:				
Program year - 2015 B-00-MC-26-000010	14.218	N/A	\$ 41,288	\$ 472,290
Program year - 2014 B-00-MC-26-000010	14.218	N/A	-	13,499
Total Community Development Block Grants - Entitlement Grants Cluster - Direct awards			41,288	485,789
Passed through Macomb County -				
HOME Investment Partnership Program	14.239	M09-DC260209	-	37,697
Total U.S. Department of Housing and Urban Development			41,288	523,486
U.S. Department of Transportation -				
Passed through Michigan State Police Drive Michigan Safety Task Force - Highway Training and Education Grant				
2015 Drive Michigan Safety Task Froce	20.215	N/A	-	6,188
U.S. Department of Justice -				
Federal Drug Forfeiture Cluster:				
Org Crime Drug Enf Task Forces - Overtime	16.922	17-04-0228	-	7,753
Org Crime Drug Enf Task Forces - % Sharing	16.922	17-04-0228	-	200,267
Total Federal Drug Forfeiture Cluster			-	208,020
Passed through Drug Enforcement Administration -				
Crime Against Children Task Forces - Overtime	16.unknown	17-04-0228	-	19,870
Passed through Macomb Co. Department of Community Health:				
JAG Program Cluster - 2015 Byrne Justice Assistance Grant	16.738	2015-DJ-BX-0508	-	15,621
JAG Program Cluster - 2015 Byrne Justice Assistance Grant	16.738	2014-H3675-MI-DJ	-	10,448
Total JAG Cluster			-	26,069
Total Department of Justice			-	253,959
U.S. Department of Homeland Security:				
Direct award - FEMA - 2012 SAFER Firefighter Grant	97.083	EMW-2012-FH-00697	-	408,537
Passed through Macomb Co. Department of Emergency Management - 2014 Homeland Security Grant Program	97.067	N/A	-	2,215
Total U.S. Department of Homeland Security			-	410,752
Total federal awards			<b>\$ 41,288</b>	<b>\$ 1,194,385</b>

# City of Roseville, Michigan

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## Notes to Schedule of Expenditures of Federal Awards Year Ended June 30, 2016

### **Note 1 - Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Roseville under programs of the federal government for the year ended June 30, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the City of Roseville, Michigan, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the City of Roseville, Michigan.

### **Note 2 - Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

The City has elected not to use the 10 percent *de minimus* indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

# City of Roseville, Michigan

## Schedule of Findings and Questioned Costs Year Ended June 30, 2016

### 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 2 CFR 200.516 (a)?  Yes  No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
14.218	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  Yes  No

# City of Roseville, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

### Section II - Financial Statement Audit Findings

Reference Number	Finding
2016-001	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - Year-end journal entries should be recorded in accordance with generally accepted accounting principles (GAAP) prior to the start of the audit.</p> <p><b>Condition</b> - Journal entries were required during the audit to ensure the presentation of the financial statements was in conformity with generally accepted accounting principles.</p> <p><b>Context</b> - The journal entries included adjustments required for full accrual presentation of the government-wide statements and other adjustments. There were fewer adjustments this year than in the previous year.</p> <p><b>Cause</b> - The City has experienced staffing restructuring and reassignments over the past several years, resulting in the responsibilities being distributed over fewer staff eliminating second reviews being performed on some adjustments.</p> <p><b>Effect</b> - Not properly recording these journal entries could lead to materially inaccurate financial reporting.</p> <p><b>Recommendation</b> - We recommend the City continue its path of implementing procedures to ensure that all appropriate journal entries are made prior to the start of the audit.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The City's management concurs with the recommendation and will put a process in place to address the issues identified.</p>

# City of Roseville, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

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

Reference  
Number

Finding

2016-002 **Finding Type** - Material weakness

**Criteria** - Proper segregation of duties is required in order to safeguard cash. Both preventive and detective controls are essential in order to prevent unauthorized payments or transfers.

**Condition** - The following cash control items were detected and corrected shortly after the start of the fiscal year and are not deemed to be recurring internal control matters. During our review of controls over cash related to the prior year audit, we noted that the City lacked certain preventive controls over cash disbursements. Access to the checkbook for the petty cash bank account was not appropriately restricted. In addition, during our review on online banking controls, we noted that the city treasurer and controller could both initiate and approve their own wire transfers without confirmation from another person at the City. As a result, a risk of material misappropriation of assets existed in the first few months of the fiscal year under audit. Upon detection and communication to management and the City Council as part of the City's June 30, 2015 financial statement audit, the City strengthened its internal controls over cash. However, since this lack of controls existed for a portion of the year, it must be repeated in this year's communication.

**Context** - The controller could access the checkbook and sign checks. In addition, the controller and city treasurer could both perform wire transfers without any secondary control.

**Cause** - The City's policies have detective controls in place but did not have adequate preventive controls to safeguard against the controller and city treasurer from acting independently to transfer cash into the petty cash account or prevent the controller or city treasurer from signing checks for the petty cash account.

**Effect** - A lack of preventive controls regarding cash could create an opportunity for assets to be misappropriated.

**Recommendation** - In the prior year, we recommended the City keep the manual checkbook locked with the key held by individuals who are not authorized signers. We also recommended the City change the wire approval process with the bank to require a different individual to approve a wire transfer than the individual who initiated the transfer.

# City of Roseville, Michigan

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## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

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

Reference Number	Finding
2016-002 (Cont.)	<b>Views of Responsible Officials and Planned Corrective Actions</b> - The recommendations above were implemented in the early part of the fiscal year under audit. Further, a review of petty cash activity was performed by the City and no unauthorized or inappropriate activity was identified.

# City of Roseville, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

### Section III - Federal Program Audit Findings

Reference Number	Finding
2016-003	<p><b>CFDA Number, Federal Agency, and Program Name</b> - 14.218, HUD, Community Development Block Grant</p> <p><b>Federal Award Identification Number and Year</b> - 2015 B-00-MC-26-000010</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Significant deficiency and material noncompliance with laws and regulations</p> <p><b>Repeat Finding</b> - No</p> <p><b>Criteria</b> - For reporting purposes, public service expenditures should only include those that meet the definition of a public service as defined in 24 CFR 570.201(e).</p> <p><b>Condition</b> - The City's originally filed CAPER initially reported certain economic development expenditures in the public service category.</p> <p><b>Questioned Costs</b> - N/A</p> <p><b>Identification of How Questioned Costs Were Computed</b> - N/A</p> <p><b>Context</b> - The City did not report the proper amount for public service expenditures on the original submission of the CAPER. However, upon further review, certain amounts included in the original public service expenditure category did not meet the definition of public service expenditures under the applicable regulations. The City corrected this by resubmitting an updated PR-26 report to HUD after the auditors identified the error.</p> <p><b>Cause and Effect</b> - The City was notified that it had additional funding that could be spent, which was not put on the proper line for the PR-26 reporting.</p> <p><b>Recommendation</b> - We recommend a more thorough review of the CAPER be performed before being submitted.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The City's management concurs with the recommendation and will put a process in place to address the issues identified.</p>

# City of Roseville, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended June 30, 2016

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2016-004	<p><b>CFDA Number, Federal Agency, and Program Name</b> - 14.218, HUD, Community Development Block Grant</p> <p><b>Federal Award Identification Number and Year</b> - 2015 B-00-MC-26-000010</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Material weakness</p> <p><b>Repeat Finding</b> - No</p> <p><b>Criteria</b> - Recipients of federal funds are required to comply with the applicable policies and guidelines of 2 CFR 200.</p> <p><b>Condition</b> - The contracts that the City entered into with its subrecipients stated that the subrecipient was required to comply with the policies and guidelines of the single audit. Additionally, 2 CFR 200.331 lists 15 required elements for subawards, which were not included in the City's agreements with its subrecipients.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Identification of How Questioned Costs Were Computed</b> - N/A</p> <p><b>Context</b> - The City had contracts in place with its subrecipients with language that indicated the subrecipients were to follow the policies and guidelines of the single audit. The City's CDBG award was subject to the Uniform Grant Guidance, which requires recipients to follow the policies and guidelines of 2 CFR 200.</p> <p><b>Cause and Effect</b> - The City did not update its contracts with its subrecipients to indicate that 2 CFR 200 was applicable, nor did the contracts include the required elements for subrecipient awards in accordance with the applicable requirements.</p> <p><b>Recommendation</b> - We recommend the City update its contracts with its subrecipients to include all required elements and refer to the applicable guidance in effect for the grant period.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The City's management concurs with the recommendation and will put a process in place to address the issues identified.</p>