

Macomb County Department of Roads
(a department of Macomb County, Michigan)

Federal Awards
Supplemental Information
September 30, 2011

Macomb County Department of Roads

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Independent Auditor's Report

To the County Executive and
Board of Commissioners
Macomb County Department of Roads

We have audited the financial statements of the governmental activities, the Road Fund (the Department of Roads' only major fund), and the aggregate remaining fund information of Macomb County Department of Roads (a department of Macomb County, Michigan) (the "Department of Roads") as of and for the year ended September 30, 2011, which collectively comprise the Department of Roads' basic financial statements, and have issued our report thereon dated March 7, 2012. These basic financial statements are the responsibility of the Department of Roads' 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 Department of Roads' 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

March 7, 2012

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 County Executive and
Board of Commissioners
Macomb County Department of Roads

We have audited the financial statements of the governmental activities, the Road Fund (the Department of Roads' only major fund), and the aggregate remaining fund information of Macomb County Department of Roads (a department of Macomb County, Michigan) (the "Department of Roads") as of and for the year ended September 30, 2011, which collectively comprise the Department of Roads' basic financial statements, and have issued our report thereon dated March 7, 2012. 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 Department of Roads' 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 Department of Roads' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department of Roads' internal control over financial reporting.

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 Department of Roads' financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

To the County Executive and
Board of Commissioners
Macomb County Department of Roads

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department of Roads' 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*.

This report is intended solely for the information and use of management, the County Executive and Board of Commissioners, others within the Department of Roads, 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

March 7, 2012

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

Independent Auditor's Report

To the County Executive and
Board of Commissioners
Macomb County Department of Roads

Compliance

We have audited the compliance of the Macomb County Department of Roads (a department of Macomb County, Michigan) (the "Department of Roads") 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 September 30, 2011. The major federal program of the Department of Roads is 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 its major federal program is the responsibility of the Department of Roads' management. Our responsibility is to express an opinion on the Department of Roads' 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 Department of Roads' 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 Department of Roads' compliance with those requirements.

In our opinion, the Macomb County Department of Roads complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 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 2011-1.

To the County Executive and
Board of Commissioners
Macomb County Department of Roads

Internal Control Over Compliance

The management of the Department of Roads 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 Department of Roads' 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 Department of Roads' 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.

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 deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as Finding 2011-1. 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.

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

To the County Executive and
Board of Commissioners
Macomb County Department of Roads

This report is intended solely for the information and use of management, the County Executive and Board of Commissioners, others within the Department of Roads, 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

March 7, 2012

Macomb County Department of Roads

Schedule of Expenditures of Federal Awards Year Ended September 30, 2011

<u>Federal Agency/Pass-through Agency/Program Title</u>	<u>CFDA Number</u>	<u>Award Amount</u>	<u>Federal Expenditures</u>
U.S. Department of Transportation - Federal Highway Administration - Passed through the Michigan Department of Transportation - Highway Planning and Construction Cluster	20.205	\$ 1,852,143	<u>\$ 1,852,143</u>

Macomb County Department of Roads

Note to Schedule of Expenditures of Federal Awards

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 Macomb County Department of Roads under programs of the federal government for the year ended September 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 Macomb County Department of Roads, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Macomb County Department of Roads. Pass-through entity identifying numbers are presented where available.

Macomb County Department of Roads

Schedule of Findings and Questioned Costs Year Ended September 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 program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.205	U.S. Department of Transportation - Federal Highway Administration - Passed through Michigan Department of Transportation - Highway Planning and Construction Cluster

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

Auditee qualified as low-risk auditee? Yes No

Macomb County Department of Roads

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

Section II - Financial Statement Audit Findings

None

Section III - Federal Program Audit Findings

Reference Number	Finding
2011-1	<p>Program Name - Highway Planning and Construction Cluster CFDA # 20.205</p> <p>Pass-through Entity - Michigan Department of Transportation</p> <p>Finding Type - Significant deficiency and material noncompliance with laws and regulations</p> <p>Criteria - Government-wide requirements for suspension and debarment are contained in the OMB guidance in 2 CFR Part 180. OMB guidance requires that for procurement contracts and goods and services that are expected to equal or exceed \$25,000, the grantee must verify that the party being awarded a procurement contract is not suspended, debarred, or otherwise excluded by checking the list of excluded parties, obtaining certification from the contractor or seller, or including a clause or condition to the covered transaction with that entity.</p> <p>Condition - The Department of Roads did not verify that all parties being awarded procurements were not suspended, debarred, or otherwise excluded when the Department of Roads hired contractors to provide materials greater than \$25,000 to be used for construction projects.</p> <p>Questioned Costs - None - Upon review of the excluded parties listing subsequent to year end, it was determined that none of the parties that were awarded procurements were excluded parties.</p> <p>Context - During the audit, we selected a sample of three vendors that were disbursed amounts in excess of \$25,000 during the year by the Department of Roads for goods or services used for the Traffic Operations Center. It was noted that verification was not made that the vendor is not suspended or debarred for the three vendors tested.</p> <p>Cause and Effect - The cause of the finding was due to internal control procedures over suspension and debarment requirements not operating effectively, as required compliance activities were not addressed in all instances. The effect of the finding is that failure to monitor suspension and debarment could cause funds to be disbursed to contractors who are not eligible to have goods purchased with federal monies.</p>

Macomb County Department of Roads

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

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2011-1 (Continued)	<p>Recommendation - Internal control procedures should be created and enforced to ensure that the appropriate suspension and debarment verifications are performed for all vendors providing materials or services in excess of \$25,000.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Procedures will be expanded to verify that the suppliers and contractors hired by the Department of Roads to provide materials or services in excess of \$25,000 are not suspended or debarred by the federal government.</p>

Macomb County Department of Roads

Summary Schedule of Prior Audit Findings Year Ended September 30, 2011

Prior Year Finding Number	Federal Program
2010-1	<p>Program Name - Highway Planning and Construction Cluster 20.205</p> <p>Original Finding Description - The Department of Roads did not verify that all parties being awarded procurements were not suspended, debarred, or otherwise excluded when the Department of Roads hired contractors to provide materials greater than \$25,000 to be used for construction projects.</p> <p>Status - In progress</p> <p>Planned Corrective Action - In future years, procedures will be expanded to verify that the suppliers and contractors hired by the Department of Roads to provide materials or services in excess of \$25,000 are not suspended or debarred by the federal government.</p>