

# **Charter Township of Shelby Macomb County, Michigan**

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**Federal Awards  
Supplemental Information  
December 31, 2010**

# Charter Township of Shelby

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Independent Auditor's Report

To the Board of Trustees  
 Charter Township of Shelby  
 Macomb County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Shelby (the "Township") as of and for the year ended December 31, 2010, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated June 8, 2011. These basic financial statements are the responsibility of the Township'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 Charter Township of Shelby'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*

June 8, 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*

To the Board of Trustees  
Charter Township of Shelby

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Charter Township of Shelby (the "Township") as of and for the year ended December 31, 2010, which collectively comprise the Township's basic financial statements, and have issued our report thereon dated June 8, 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 Charter Township of Shelby'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 Township's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Township's 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the Township's 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 Board of Trustees  
Charter Township of Shelby

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter Township of Shelby'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*.

This report is intended solely for the information and use of management, the board of trustees, others within the Township, regulatory bodies, 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*

June 8, 2011

## Report on Compliance with Requirements Applicable to the Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

To the Board of Trustees  
Charter Township of Shelby

### Compliance

We have audited the compliance of the Charter Township of Shelby (the "Township") 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, 2010. The major federal program of the Charter Township of Shelby 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 Charter Township of Shelby's management. Our responsibility is to express an opinion on the Charter Township of Shelby'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 Charter Township of Shelby'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 Charter Township of Shelby's compliance with those requirements.

In our opinion, the Charter Township of Shelby 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 December 31, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 2010-1 and 2010-2.

To the Board of Trustees  
Charter Township of Shelby

### **Internal Control Over Compliance**

The management of the Charter Township of Shelby 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 Charter Township of Shelby'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 Township's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or 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 certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as Findings 2010-1 and 2010-2. 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 Charter Township of Shelby's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the Charter Township of Shelby's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the board of trustees, others within the Township, regulatory bodies, 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*

June 8, 2011

# Charter Township of Shelby

## Schedule of Expenditures of Federal Awards Year Ended December 31, 2010

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Award Amount	Federal Expenditures
Major program - U.S. Department of Energy - ARRA - Energy Efficiency and Conservation Block Grant Program	81.128	DE-SC0002667	\$ 651,200	\$ 364,390
Nonmajor programs:				
Community Development Block Grant - Entitlement and Small Cities Cluster - U.S. Department of Housing and Urban Development - Passed through Macomb County Department of Community Development - Entitlement Grant - Program year 2010	14.218	B-10-UC-26-0005	213,452	15,222
Homeland Security Grant Program - Homeland Security Cluster - U.S Department of Homeland Security - Passed through Michigan Department of State Police, Emergency Management Division - Passed through Macomb County:	97.067			
Program Year 2007-2008:				
HSGP Grant Category			79,723	79,723
LETTP Grant Category			20,066	20,066
UASI Grant Category			46,094	<u>12,043</u>
Total Program Year 2007-2008				111,832
Program Year 2008-2009 - UASI Grant Category			2,484	<u>1,659</u>
Total Homeland Security Grant Program Cluster				113,491
U.S Department of Justice - Passed through Macomb County Sheriff's Department - Public Safety Partnership and Community Policing Grants - COPS Technology Grant Program:	16.710			
Program Year 2008		#2008CKWX0492	3,639	3,639
Program Year 2008		#2008CKWX0493	20,000	<u>20,000</u>
Total Public Safety Partnership and Community Policing Grants				23,639
U.S. Department of Justice - Passed through Macomb County: ARRA - Edward Byrne Memorial Justice Assistance Grant Program - Macomb County, Michigan's Crime Prevention and Control Initiative	16.804	2009-SB-B9-0563	67,394	67,394
Office of Justice Programs Edward Byrne Memorial Justice Assistance Grant Program - 2009	16.738	2009-DJ-BX-0167	16,440	<u>16,440</u>
Total U.S. Department of Justice				<u>107,473</u>
Total federal awards				<u>\$ 600,576</u>

# Charter Township of Shelby

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## **Note to Schedule of Expenditures of Federal Awards Year Ended December 31, 2010**

### **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 Shelby under programs of the federal government for the year ended December 31, 2010. 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 Shelby, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Charter Township of Shelby. Pass-through entity identifying numbers are presented where available.

# Charter Township of Shelby

## Schedule of Findings and Questioned Costs Year Ended December 31, 2010

### 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 program(s):

- 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 program(s): 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:

CFDA Number	Name of Federal Program or Cluster
81.128	Energy Efficiency and Conservation Block Grant 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 Shelby

## Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2010

### Section II - Financial Statement Audit Findings

None

### Section III - Federal Program Audit Findings

Reference Number	Findings
2010-1	<p><b>Program Name</b> - Energy Efficiency and Conservation Block Grant 81.128</p> <p><b>Finding Type</b> - Significant deficiency/Material noncompliance</p> <p><b>Criteria</b> - 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><b>Condition</b> - The Township did not verify that all parties being awarded procurements were not suspended, debarred, or otherwise excluded when the Township hired contractors to provide materials or services greater than \$25,000 to be used for construction projects.</p> <p><b>Questioned Costs</b> - 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><b>Context</b> - During the audit, we selected both vendors that were disbursed amounts in excess of \$25,000 during the year by the Township for goods or services used for federally funded projects. It was noted that verification was not made that the vendor is not suspended or debarred for either of the vendors tested.</p>

# Charter Township of Shelby

## Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2010

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

Reference Number	Findings
2010-1 (Continued)	<p><b>Cause and Effect</b> - 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> <p><b>Recommendation</b> - Internal control procedures should be created and enforced to ensure that the appropriate suspension and debarment verifications are performed.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Procedures will be expanded to verify that the suppliers and contractors hired by the Township to provide materials or services in excess of \$25,000 are not suspended or debarred by the federal government.</p>
2010-2	<p><b>Program Name</b> - Energy Efficiency and Conservation Block Grant 81.128</p> <p><b>Finding Type</b> - Significant deficiency/Material noncompliance</p> <p><b>Criteria</b> - "Buy-American" requirements are contained in Section 1605 of the American Recovery and Reinvestment Act of 2009. OMB guidance requires that when using ARRA funding for construction, alteration, maintenance, or repair of a public building the grantee must document that the iron, steel, and manufactured goods used in the project are produced in the United States.</p> <p><b>Condition</b> - The Township did not document that the goods used in the project were produced in the United States.</p> <p><b>Questioned Costs</b> - None</p>

# Charter Township of Shelby

## Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2010

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

Reference Number	Findings
2010-2 (Continued)	<p><b>Context</b> - Of the \$364,390 of total expenditures under this grant, approximately \$332,000 relates to raw materials or manufactured goods to which the "Buy-American" provisions are applicable. During the audit, we inquired of responsible parties whether documentation existed regarding whether the origin of goods used in the project were produced in the United States. It was noted that such documentation did not exist, but that the Township had discussed the Buy-American requirements with the contractor performing work for the project and checked the origin of goods used to ensure they were produced in the United States.</p> <p><b>Cause and Effect</b> - The cause of the finding was due to internal control procedures over Buy-American requirements, as required compliance activities were not addressed in all instances. The effect of the finding is that failure to document the origin of goods used in the project could cause funds to be disbursed for goods that were not produced in the United States.</p> <p><b>Recommendation</b> - Internal control procedures should be created and enforced to ensure that the appropriate documentation related to Buy-American requirements is maintained.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Procedures will be expanded</p>