

**CITY OF LANSING,
MICHIGAN**

SINGLE AUDIT

For the Year Ended June 30, 2008



REHMANN ROBSON

Certified Public Accountants

CITY OF LANSING, MICHIGAN

Single Audit

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For the Year Ended June 30, 2008

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CITY OF LANSING, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

| Federal/Pass-through Grantor Program Title | CFDA Number | Federal/ Pass-through Grantor Number | Current Year Expenditures |
|---|----------------|---|---------------------------------|
| U.S. Department of Housing and Urban Development | | | |
| Direct programs: | | | |
| Community Development Block Grant: | | | |
| 2004 Entitlement | 14.218 | B-04-MC-26-0025 | \$ 122,236 |
| 2005 Entitlement | 14.218 | B-05-MC-26-0025 | 44,235 |
| 2006 Entitlement | 14.218 | B-06-MC-26-0025 | 395,629 |
| 2007 Entitlement | 14.218 | B-07-MC-26-0025 | 1,592,781 |
| Total Community Development Block Grant | | | <u>2,154,881</u> |
| Emergency Shelter: | | | |
| 2006 Grant | 14.231 | S-06-MC-26-0025 | 34,546 |
| 2007 Grant | 14.231 | S-07-MC-26-0025 | 49,237 |
| Total Emergency Shelter Grant | | | <u>83,783</u> |
| Supportive Housing Program: | | | |
| Advent House - 07/08 | 14.235 | MI28B40-8 | 172,900 |
| Ballentine - 07/08 | 14.235 | MI28B20-8 | 62,843 |
| Gateway Community Services - 04/07 | 14.235 | MI28B30-8005 | 8,783 |
| Gateway Community Services - 07/08 | 14.235 | MI28B60-8007 | 53,814 |
| Haven House - 05/08 | 14.235 | MI28B30-8003 | 34,035 |
| Haven House - 08/09 | 14.235 | MI28B70-8004 | 6,688 |
| C.A.C.S. - 07/08 | 14.235 | MI28B20-8 | 283,986 |
| C.A.C.S. - HPP 07/08 | 14.235 | MI28B50-8 | 99,616 |
| Greater Lansing Housing Coalition - 08/09 | 14.235 | MI28B10-8 | 5,843 |
| Greater Lansing Housing Coalition - 07/10 | 14.235 | MI28B60-8003 | 90,252 |
| National Council Alcoholism - 06/08 | 14.235 | MI28B40-8005 | 151,558 |
| Salvation Army - 05/07 | 14.235 | MI28B30-8001 | 161,156 |
| Salvation Army (PSH III)- 06/08 | 14.235 | MI28B40-8001 | 205,561 |
| St. Vincent Catholic Charities (PSH II) 2008 | 14.235 | MI28B60-8004 | 161,619 |
| H.M.I.S. - 07/08 | 14.235 | MI28B60-8005 | 6,765 |
| H.M.I.S. - 03/06 | 14.235 | MI28B20-8002 | 33,382 |
| H.M.I.S. - 05/06 | 14.235 | MI28B40-8004 | 12,172 |
| Total Supportive Housing Program | | | <u>1,550,973</u> |
| Home Investment Partnerships Program: | | | |
| 2002 Grant Year | 14.239 | M-02-MC-26-0208 | 141,682 |
| 2003 Grant Year | 14.239 | M-03-MC-26-0208 | 11,000 |
| 2004 Grant Year | 14.239 | M-04-MC-26-0208 | 111,606 |
| 2005 Grant Year | 14.239 | M-05-MC-26-0208 | 88,352 |
| 2006 Grant Year | 14.239 | M-06-MC-26-0208 | 359,986 |
| 2007 Grant Year | 14.239 | M-07-MC-26-0208 | 200,450 |
| Total Home Investment Partnerships Program | | | <u>913,076</u> |
| Lead Hazard Reduction Demonstration Grant Program | 14.905 | MILHD 0162-06 | <u>316,307</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>5,019,020</u> |
| U.S. Department of Justice | | | |
| Direct programs: | | | |
| Local Law Enforcement Block Grant: | | | |
| 2005 Grant Year | 16.592 | 2005-DJ-BX-0303 | 22,199 |
| 2006 Grant Year | 16.592 | 2006-DJ-BX-0655 | 7,332 |
| 2007 Grant Year | 16.592 | | 900 |
| Total Local Law Enforcement Block Grant | | | <u>30,431</u> |
| COPS: | | | |
| Criminal Intelligence Database | 16.609 | 2006-PG-BX-0005 | 7,286 |
| Bulletproof Vest Partnership Program | 16.607 | N/A | 10,587 |
| Gang Resistance Education and Training | 16.737 | | 150,872 |
| Interoperable Communications | 16.710 | 2005-IN-WX-0009 | 848,877 |
| Total COPS | | | <u>1,017,622</u> |

CITY OF LANSING, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2008

| Federal/Pass-through Grantor Program Title | CFDA Number | Federal/ Pass-through Grantor Number | Current Year Expenditures |
|---|----------------|---|---------------------------------|
| U.S. Department of Justice (concluded): | | | |
| Passed-through the State of Michigan Department of Community Health: | | | |
| Capital Area Response Effort - Year Twelve | 16.575 | 20457-11V05 | \$ 86,822 |
| Capital Area Response Effort - Year Eleven | 16.575 | 20457-10V04 | 27,431 |
| Metro Conspiracy Investigations | 16.579 | 70901-7-07-B | 101,800 |
| Metro Conspiracy Investigations | 16.579 | 70901-8-08-B | 259,973 |
| Total passed-through the State of Michigan Department of Community Health | | | <u>476,026</u> |
| Total U.S. Department of Justice | | | <u>1,524,079</u> |
| U.S. Department of Transportation | | | |
| Passed-through the State of Michigan Department of Transportation: | | | |
| Pennsylvania Avenue Bridge (MDOT 03-5122) | 20.205 | BFR0333(314) | 574 |
| High Priority Projects Program (MDOT 00-5228) | 20.205 | HPP9933(022) | 13,402 |
| Traffic Signal Control Integration | 20.205 | ITS0333(316) | 1,560 |
| IPACE (MDOT 77195) | 20.205 | | 97,969 |
| Southwest Signal (MDOT 06-5570) | 20.205 | CMG 0633(026) | 49,575 |
| Penn. / Mich. Signal (MDOT 06-5571) | 20.205 | CMG 0633(034) | 43,220 |
| Downtown Signal (MDOT 06-5572) | 20.205 | CMG 0633(033) | 67,486 |
| Total U.S. Department of Transportation | | | <u>273,786</u> |
| Environmental Protection Agency: | | | |
| Direct programs: | | | |
| Brownfield Assessment and Cleanup | | | |
| Brownfield Hazardous Substance Grant | 66.818 | | 14,315 |
| Brownfield Petrol Grant | 66.818 | | 50,032 |
| Brownfield BCRLF Grant | 66.818 | | 258,355 |
| Total Brownfield Assessment and Cleanup | | | <u>322,702</u> |
| Passed-through the State of Michigan Department of Environmental Quality: | | | |
| State Revolving Loan Funds (SRF) | 66.458 | | <u>2,989,462</u> |
| Total Environmental Protection Agency: | | | <u>3,312,164</u> |
| U.S. Department of Homeland Security | | | |
| Passed-through the State of Michigan Department of State Police: | | | |
| FEMA - Hurricane Katrina | 97.036 | 3225 EM | 23,783 |
| Emergency Management Performance Grant FY 2007 | 97.042 | | 20,853 |
| 2006 Community Emergency Response Team (CERT) | 97.067 | | 11,176 |
| 2006 State Homeland Security Grant Program: | | | |
| 2006 State Homeland Security Program | 97.067 | | 1,672,349 |
| 2006 Law Enforcement Terrorism Prevention Program | 97.067 | | 982,590 |
| Total U.S. Department of Homeland Security | | | <u>2,710,751</u> |
| Total Expenditures of Federal Awards | | | <u><u>\$ 12,839,800</u></u> |

See accompanying notes to the Schedule of Expenditures of Federal Awards

CITY OF LANSING, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Lansing, Michigan (the "City"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this schedule.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The City of Lansing reporting entity is defined in Note I of the City's basic financial statements.

2. SUBRECIPIENTS

The City administers certain federal awards programs through subrecipients. Those subrecipients are not considered part of the City of Lansing reporting entity. Of the federal expenditures presented in the schedule, the City of Lansing provided federal awards to subrecipients as follows:

| Program Title | Federal CFDA Number | Amount Provided to Subrecipients |
|--------------------------------------|--------------------------------|---|
| Community Development Block Grant | 14.218 | \$ 359,671 |
| Emergency Shelter | 14.231 | 83,783 |
| Supportive Housing Program | 14.235 | 1,461,880 |
| Home Investment Partnerships Program | 14.239 | 43,000 |
| METRO Conspiracy Investigations | 16.579 | 290,256 |
| COPS Interoperable Communications | 16.710 | 514,956 |
| 2006 State Homeland Security Grant | 97.067 | 2,340,285 |
| FEMA – Hurricane Katrina | 97.036 | <u>23,783</u> |
| Total | | <u>\$ 5,117,614</u> |

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REHMANN ROBSON

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**INDEPENDENT AUDITORS' 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**

December 19, 2008

Honorable Mayor and Members
of the City Council
City of Lansing, 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 Lansing, Michigan* as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 19, 2008. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Lansing, 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 of Lansing, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Lansing, Michigan'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2008-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However we consider the significant deficiency described above to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lansing, 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 noted certain matters that we reported to management of the City of Lansing, Michigan, in a separate letter dated December 19, 2008.

The City of Lansing, 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 Lansing, Michigan's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, the governing board, management, others within the organization, and 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.





REHMANN ROBSON

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**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

December 19, 2008

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

Compliance

We have audited the compliance of the *City of Lansing, Michigan* with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City of Lansing, Michigan's major federal programs are identified in the summary of auditors' 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 Lansing, Michigan's management. Our responsibility is to express an opinion on the City of Lansing, 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 major federal programs occurred. An audit includes examining, on a test basis, evidence about the City of Lansing, 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 Lansing, Michigan's compliance with those requirements.

In our opinion, the City of Lansing, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which 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 items 2008-2 and 2008-3, 2008-4 and 2008-5.

Internal Control Over Compliance

The management of the City of Lansing, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Lansing, Michigan's internal control over compliance with the 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, 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 of Lansing, Michigan's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the City's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-2, 2008-3, 2008-4, 2008-5, 2008-6 and 2008-7 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We did not consider any of the deficiencies noted above to be material weaknesses.

The City of Lansing, 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 Lansing, Michigan's responses and, accordingly, we express no opinion on them.

Schedule of Expenditures of Federal Awards

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 Lansing, Michigan as of and for the year ended June 30, 2008, and have issued our report thereon dated December 19, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the City Council, and 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.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

CITY OF LANSING, MICHIGAN
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(s) identified
not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements
noted? yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(s) identified
not considered to be material weaknesses? X yes none reported

Type of auditors' report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section 510(a)? X yes no

CITY OF LANSING, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

| <u>CFDA Number(s)</u> | <u>Name of Federal Program or Cluster</u> |
|-----------------------|---|
| 16.710 | COPS: Interoperable Communications |
| 66.458 | State Revolving Loan Fund |
| 97.067 | 2006 State Homeland Security Grant |

Dollar threshold used to distinguish
between Type A and Type B programs: \$385,194

Auditee qualified as low-risk auditee? _____ yes X no

SECTION II – FINANCIAL STATEMENT FINDINGS

Material Weakness

2008-1 Material Audit Adjustments

Criteria: The City is responsible for the reconciliation of all general ledger accounts to their proper underlying balances for the purpose of creating a reasonably adjusted trial balance, from which the basic financial statements are derived.

Condition: Certain account balances and year-end adjustments were not properly calculated, resulting in the need for adjustments to the financial statements in amounts that were material to the financial statements.

Cause: Internal controls did not detect all adjustments necessary to properly record year-end balances.

Effect: As a result of this condition, the City's internal books and records were initially misstated by amounts that were material to the financial statements. Accordingly, audit adjustments were necessary in order to properly state certain accounts to the proper year-end balance.

Recommendation: We recommend that the City carefully review year-end adjustments across all funds to ensure that amounts recorded properly agree with the underlying account detail.

CITY OF LANSING, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2008

View of Responsible Officials: We concur with the recommendation.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies

Finding 2008-2 Subrecipient Monitoring

Program: CFDA #16.710 - COPS Interoperable Communications, CFDA #97.067 – 2006 State Homeland Security Grant

Criteria: The Compliance Supplement to OMB Circular No. A-133 requires that pass-through entities ensure that subrecipients expending \$500,000 or more in Federal awards have met the audit requirements of OMB Circular A-133.

Condition: The City does not have procedures in place to ensure that subrecipients of the COPS Interoperable Communications program and the Homeland Security Program are in compliance with OMB Circular A-133.

Cause: The City was not aware of the Federal Guidelines regarding subrecipient monitoring per OMB Circular No. A-133 that were applicable to these programs.

Effect: Unallowable costs and/or activities may be occurring at the subrecipient level that the City would not be aware of, due to the fact that the City is not conducting the required monitoring.

Recommendation: We recommend that the City implement procedures to verify that all subrecipients are following the audit requirements of OMB A-133, including adding appropriate language to its contracts with all subrecipients requiring an audit reporting package to be submitted to the City. For subrecipients that are not required to submit a reporting package to the City because they had no findings, the City should use the information in the Federal Audit Clearinghouse (FAC) database (available on the internet at <http://harvester.census.gov/sac>) as evidence to verify that the subrecipient had no audit findings and that the required audit was performed.

CITY OF LANSING, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2008

**View of
Responsible
Officials:**

The City has requested copies of A-133 Audits and/or audited financial statements from each subrecipient and has examined them to insure that there were no significant audit findings. The COPS grant in question allows only specific expenditures for each entity. The City has made sure that reimbursements were paid only for the exact items approved by the grantor. The subrecipients never received any funds until we were completely satisfied that the proper items were received and paid for. The grant was administered on a strict reimbursement basis. No funds were ever fronted to any agency.

Finding 2008-3 Equipment and Real Property Management

Program: **CFDA #16.710 - COPS Interoperable Communications,
CFDA #97.067 – 2006 State Homeland Security Grant**

Criteria: According to OMB Circulars A-102 and A-110, records should be maintained for equipment funded with federal awards, a physical inventory of such equipment should be taken at least once every two years and reconciled to the equipment records, an appropriate control system should be used to safeguard such equipment; and such equipment should be adequately maintained.

Condition: The City has not completed a physical inventory of its federal equipment within the last two years.

Cause: The City was not aware of the Federal guidelines regarding equipment and real property management that are applicable to these programs.

Effect: The City is not able to adequately monitor the use of capital assets obtained with Federal awards to ensure that assets are being used for a Federal purpose and that disposition of such assets, as applicable, are made in accordance with Federal guidelines.

Recommendation: We recommend that the City ensure that a physical inventory of equipment is taken at least once every two years, as required.

CITY OF LANSING, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2008

**View of
Responsible
Officials:**

All Federally funded fixed assets are now separately accounted for. Whether the item is held locally or has been passed-thru to another agency, it will now be inventoried at least every two years. The information kept on each item includes photos of the item and of the location, as well as its ID number, cost, acquisition date, grant source, and eventually, the final disposition.

Finding 2008-4

Cash Management

Program:

CFDA #16.710 - COPS Interoperable Communications

Criteria:

The Compliance Supplement to OMB Circular A-133 indicates that when funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement.

Condition:

The City started the year with approximately \$245,000 in deferred revenue (i.e., funds drawn in excess of its immediate cash needs in the prior year). During the month of October 2007, the City requested additional advances of federal funds which amounted to approximately \$560,000. The deferred revenue from the prior year and the advance requested in October funded the program throughout the 2008 fiscal year, and no other funds were requested prior to June 30, 2008.

Cause:

The City did not properly interpret Federal requirements regarding cash management. The October 2007 advance was made prior to the issue being presented to the City in the 2007 audit. No further advances were made after the October request.

Effect:

The City held advances that were in excess of its immediate cash needs for several months.

Recommendation:

We recommend that the City make advance requests only when necessary, and then only for expenditures anticipated to be made within the next 3 business days. This should not pose a significant problem for the City considering the timing of payments allowed to subrecipients in accordance with the subrecipient agreements.

CITY OF LANSING, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2008

**View of
Responsible
Officials:**

The City had regularly drawdown the funds up front on its Block Grants from OJP and had mistakenly assumed that it was alright to do the same on this COPS IT grant. Once it was found that this was done in error, no more requests for funds were made at all. A final reimbursement drawdown will be made at the end of the grant.

Finding 2008-5 Suspended and Debarred Parties

Program: **CFDA #16.710 - COPS Interoperable Communications,
CFDA #97.067 – 2006 State Homeland Security Grant**

Criteria: The Compliance Supplement to OMB Circular A-133 states that “non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred.”

Condition: The City administers numerous federal programs that are administered by various departments. Currently there are no measures in place to ensure that the City does not use federal funds to contract with or purchase goods from federally suspended or debarred vendors.

Cause: Those responsible for administering the City’s various grants were unaware of this requirement.

Effect: This condition increases the risk that the City will inadvertently conduct business with a suspended or debarred vendor in violation of federal regulations.

Recommendation: We recommend that the City begin verifying that all subrecipients or vendors and contractors who receive over \$25,000 from federal funding annually are not suspended or debarred. This can be accomplished very simply by checking the Excluded Parties List System, the online database maintained by the Federal government at www.epls.gov, and by including standard language in the City’s contracts requiring parties to sign an agreement stating that they are not suspended or debarred by the federal government.

CITY OF LANSING, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2008

**View of
Responsible
Officials:**

The City is now checking on the Excluded Parties List System to verify subrecipients and vendors that they are not suspended or debarred. Further, review of the list for suspended and debarred parties in the State of Michigan indicated no parties that the City does business with.

Finding 2008-6

Certification of Payroll Expenditures

Program:

CFDA# 97.067 – 2006 State Homeland Security Grant

Criteria:

Office of Management and Budget Circular No. A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, requires charges to federal programs to be supported by personnel activity reports, or in the case of staff who spend 100% of their time on a single federal program, semi-annual certifications.

Condition:

The City charged an employee's time to the homeland security grant program without preparing the required semi-annual certifications or periodic timesheets that documented how the employee's time was spent.

Cause:

Those responsible for administering the City's various grants were unaware of this requirement.

Effect:

The City charged salary costs to the major programs without sufficient documentation as required by OMB Circular A-87.

Questioned Costs:

The total amount of salaries charged to this program without adequate documentation was \$8,284.

Recommendation:

Time records or semi-annual certifications should be kept for all employees to document time spent and costs charged to grant-funded programs.

**View of
Responsible
Officials:**

The employee in question was paid 100% from the grant and worked 100% on the grant. A timesheet was required and filled out for the duration of the time and since 100% of his time was for the grant, time accounting to break out non-grant activity was pointless. The current employee assigned to the grant is not 100% and is tracking actual hours worked on the grant.

CITY OF LANSING, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2008

| | |
|---------------------------------------|--|
| Finding 2008-7 | Procurement |
| Program: | CFDA# 97.067 – 2006 State Homeland Security Grant |
| Criteria: | The Compliance Supplement to OMB Circular A-133 states that procurements should provide full and open competition, and if not full and open competition there should be justified documentation in support of the rationale to limit competition in those cases where competition was limited. |
| Condition: | The City made significant purchases from an existing vendor using a contract held by the State of Michigan without following its normal procurement policies regarding competitive bidding. |
| Cause: | Those responsible for administering the City’s various grants were unaware of this requirement. |
| Effect: | The City may have used federal funds for a procurement that is not allowable per federal guidelines. |
| Recommendation: | When extenuating circumstances make it impractical for the City to follow normal competitive bidding practices when using federal funds, we recommend that the City document the reasons and request written approval from the awarding agency. |
| View of Responsible Officials: | The situation in question followed the City’s purchasing Ordinance 206.14, “The City shall have the authority to join with other units of government, including the State, in cooperative purchasing plans”. |

CITY OF LANSING, MICHIGAN

Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended June 30, 2008

SECTION IV – PRIOR YEAR FEDERAL AWARDS FINDINGS

Finding 2007-2 Subrecipient Monitoring
Program: CFDA #16.710 - COPS Interoperable Communications

No steps were taken to correct the prior year finding. See current year finding 2008-2.

Finding 2007-3 Equipment and Real Property Management
Program: CFDA #16.710 - COPS Interoperable Communications

The City did begin tracking which equipment was purchased with federal dollars, however, a physical inventory was still not taken. See current year finding 2008-3.

Finding 2007-4 Cash Management
Program: CFDA #16.710 - COPS Interoperable Communications

Steps were taken to correct the prior year finding as no advanced funds were requested since October 2007, however, an advance was requested prior to our finding being communicated to the City. See current year finding 2008-4.

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