
City of Auburn Hills, Michigan

**Federal Awards Supplemental Information
December 31, 2020**

Independent Auditor's Reports

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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 Auburn Hills, 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 Auburn Hills, Michigan (the "City") as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 2, 2021, which contained an unmodified opinion on the governmental activities, business-type activities, aggregate discretely presented component units, each major fund and the aggregate remaining fund information. Our audit was conducted for the purpose of forming opinions 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 June 2, 2021.

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 basic 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 basic financial statements or to the basic 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 basic financial statements as a whole.

Plante & Moran, PLLC

June 2, 2021

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 Auburn Hills, 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 business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Auburn Hills, Michigan (the "City") as of and for the year ended December 31, 2020 and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated June 2, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) as a basis for designing 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 of this section 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 a certain deficiency in internal control that we consider to be a material weakness and a deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2020-001 to be a material weakness.

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 the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2020-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 financial statements. 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*.

To Management, the Honorable Mayor, and Members
of the City Council
City of Auburn Hills, Michigan

The City's Responses to the Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City'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.



June 2, 2021

Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance
Required by the Uniform Guidance

Independent Auditor's Report

To the Honorable Mayor and Members
of the City Council
City of Auburn Hills, Michigan

Report on Compliance for Each Major Federal Program

We have audited the City of Auburn Hills, 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 the City's major federal program for the year ended December 31, 2020. The City'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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs 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'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 each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2020.

Report on Internal Control Over Compliance

Management of the City 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's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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.

To the Honorable Mayor and Members
of the City Council
City of Auburn Hills, 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 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. 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

June 2, 2021

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2020

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number (if applicable)	Total Amount Provided to Subrecipients	Federal Expenditures
U.S. Department of Treasury - Passed through Oakland County:				
COVID-19 Coronavirus Relief Fund	21.019	SLT0202	\$ -	\$ 515,069
COVID-19 Coronavirus Relief Fund	21.019	SLT0202	-	10,500
COVID-19 Coronavirus Relief Fund	21.019	SLT0202	-	6,850
Subtotal			-	532,419
U.S. Department of Treasury - Passed through the State of Michigan:				
COVID-19 Coronavirus Relief Fund	21.019	SLT0040 and SLT0247	-	436,306
COVID-19 Coronavirus Relief Fund	21.019	SLT0040 and SLT0247	-	71,000
COVID-19 Coronavirus Relief Fund	21.019	SLT0040	-	19,531
Subtotal			-	526,837
Total U.S. Department of Treasury - Coronavirus Relief Fund			-	1,059,256
U.S. Department of Homeland Security:				
COVID-19 Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		-	65,242
Assistance to Firefighters Grant	97.044		-	130,909
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		-	161,559
Total Department of Homeland Security			-	357,710
Executive Office of the President - Passed through Oakland County - High Intensity Drug Trafficking Areas				
	95.001	N/A	-	4,875
U.S. Department of Justice - Bulletproof Vest Partnership Program				
	16.607		-	2,140
U.S. Department of Housing and Urban Development - Passed through Oakland County - CDBG - Entitlement Grants Cluster - Community Development Block Grants/Entitlement Grants				
	14.218	N/A	-	29,764
U.S. Department of Transportation - Passed through Michigan Office of Highway Safety Planning (OHSP) - Highway Safety Cluster - State and Community Highway Safety				
	20.600	N/A	-	21,586
U.S. Environmental Protection Agency - Great Lakes Program				
	66.469		-	244,780
U.S. Department of Health and Human Services - COVID-19 Provider Relief Fund				
	93.498		-	22,233
Total federal awards			<u>\$ -</u>	<u>\$ 1,742,344</u>

Notes to Schedule of Expenditures of Federal Awards

Year Ended December 31, 2020

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the City of Auburn Hills, Michigan (the "City") under programs of the federal government for the year ended December 31, 2020. The information in the 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, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in 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, with the exception of the COVID-19 Coronavirus Relief Fund (21.019). The cost principles within Subpart E of 2 CFR 200 do not apply to the Coronavirus Relief Fund; instead the Treasury's guidance and FAQs were used as the criteria for recognizing allowable costs. Pass-through entity identifying numbers are presented where available.

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

Schedule of Findings and Questioned Costs

Schedule of Findings and Questioned Costs

Year Ended December 31, 2020

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? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X Yes None reported

Noncompliance material to financial statements noted? Yes X None reported

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? Yes X No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X 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 X No

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster
21.019	Coronavirus Relief Fund (CRF)

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

Auditee qualified as low-risk auditee? Yes X No

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2020

Section II - Financial Statement Audit Findings

Reference Number	Finding
2020-001	<p>Finding Type - Material weakness</p> <p>Criteria - Year-end journal entries should result in financial statements that are reported in accordance with generally accepted accounting principles (GAAP) prior to the start of the audit.</p> <p>Condition - Journal entries were required during the audit to ensure the financial statements were presented in accordance with GAAP.</p> <p>Context - Auditor-identified journal entries included adjustments to reduce the land held for resale (approximately \$960,000); capitalize assets (approximately \$350,000); and adjust property tax revenue (approximately \$610,000); and adjust property tax accounts receivable, and deferred inflows of resources (approximately \$559,000).</p> <p>Cause - The City does not have an effective detective or monitoring control to determine whether parcels of land that are classified and reported as land held for resale have been sold by the City during the year. In addition, the City did not have an effective process in place to ensure that capital asset activity was correctly capitalized or that property tax activity was accurately reported at December 31, 2020.</p> <p>Effect - The impact on the ineffective control environment could result in material misstatements to the City's financial statements.</p> <p>Recommendation - The City should implement effective controls to ensure that all appropriate journal entries are made prior to the start of the audit. We also recommend the City implement a review process to ensure the proper journal entries are recorded prior to the start of the audit.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City agrees with the finding and has implemented changes to both procedures and controls to address the issue going forward.</p>

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2020

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2020-002	<p>Finding Type - Significant deficiency</p> <p>Criteria - The City should report as cash balances those cash receipts that were received and deposited into the City's bank account during the year.</p> <p>Condition - The City's December 31, 2020 bank reconciliation included a reconciling item for an amount that had already been deposited in the bank balance at December 31, 2020; however, this cash was not receipted into the City's general ledger until January 2021. Instead, this balance was shown as a receivable at year end.</p> <p>Context - The City reported approximately \$390,000 as accounts receivable at December 31, 2020; however, this cash had been deposited into the City's bank account prior to December 31, 2020. This caused a misclassification between cash and receivables of \$390,000.</p> <p>Cause - The bank reconciliation controls were not designed effectively to properly identify this misclassification.</p> <p>Effect - The City's cash balance was understated and the City's accounts receivable were overstated at December 31, 2020 by \$390,000. The lack of effective controls could have resulted in a material misclassification to the City's financial statements.</p> <p>Recommendation - The City should implement effective controls that would appropriately identify unique reconciling items on the bank reconciliation for further follow-up. These unique reconciling items should be investigated and adjusted on a timely basis.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The City agrees with the finding and has already implemented additional training and review protocols to correct the issue going forward.</p>

Section III - Federal Program Audit Findings

None