

City of Grosse Pointe Park

Single Audit

June 30, 2023



YEO & YEO

**BUSINESS SUCCESS
PARTNERS**

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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 Auditors' Report

City Council and Management
City of Grosse Pointe Park
Grosse Pointe Park, MI

We have audited, in accordance with the 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 City of Grosse Pointe Park, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Grosse Pointe Park's basic financial statements, and have issued our report thereon dated December 21, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Grosse Pointe Park'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Grosse Pointe Park's internal control. Accordingly, we do not express an opinion on the effectiveness City of Grosse Pointe Park's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 to be material weaknesses.

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 item 2023-003 to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Grosse Pointe Park'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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2023-002 and 2023-003.

City of Grosse Pointe Park's Response to Findings and Corrective Action Plan

Government Auditing Standards requires the auditor to perform limited procedures on City of Grosse Pointe Park's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. City of Grosse Pointe Park's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

City of Grosse Pointe Park is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. City of Grosse Pointe Park's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Yeo & Yeo, P.C.

Auburn Hills, Michigan
December 21, 2023

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

City Council and Management
City of Grosse Pointe Park
Grosse Pointe Park, MI

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Grosse Pointe Park's compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Grosse Pointe Park's major federal programs for the year ended June 30, 2023. City of Grosse Pointe Park's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Grosse Pointe Park complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Grosse Pointe Park and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Grosse Pointe Park's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Grosse Pointe Park's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Grosse Pointe Park's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Grosse Pointe Park's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Grosse Pointe Park's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Grosse Pointe Park's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City of Grosse Pointe Park's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2023-004. Our opinion on each major federal program is not modified with respect to this matter.

Government Auditing Standards requires the auditor to perform limited procedures on City of Grosse Pointe Park's response to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. City of Grosse Pointe Park's response was not subjected to the other auditing procedures applied in the other audit of compliance and, accordingly, we express no opinion on the response.

City of Grosse Pointe Park is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. City of Grosse Pointe Park's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2023-004, to be significant deficiency.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on City of Grosse Pointe Park's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. City of Grosse Pointe Park's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

City of Grosse Pointe Park is responsible for preparing a corrective action plan to address each audit finding included in our auditors' report. City of Grosse Pointe Park's corrective action plan was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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.

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

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 City of Grosse Pointe Park, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise City of Grosse Pointe Park's basic financial statements. We issued our report thereon dated December 21, 2023, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Auburn Hills, Michigan
December 21, 2023

City of Grosse Pointe Park
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor Pass-Through Grantor Program or Cluster Title	Grant/ Project Number	Federal Assistance Listing Number	Approved Grant Amount	Federal Expenditures
U.S. Department of Housing and Urban Development				
Passed through Wayne County				
Community Development Block Grant Entitlement Cluster				
Community Development Block Grants/Entitlement Grants	22-12-05E	14.218	\$ 20,000	\$ 20,000
U.S. Department of the Treasury				
Michigan Department of Treasury				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds (CSLFRF)	MI8252	21.027	1,161,230	575,826
U.S. Department of Homeland Security				
Passed through the Michigan Department of State Police Emergency Management and Homeland Security Division				
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	PA-05-MI-4607-PW-00056	97.036	43,983	43,983
	PA-05-MI-4607-PW-00054		63,389	63,389
	PA-05-MI-4607-PW-00006		20,532	20,532
	PA-05-MI-4607-PW-00049		903,377	903,377
	PA-05-MI-4607-PW-00073		57,777	57,777
			<u>1,089,058</u>	<u>1,089,058</u>
Total Federal awards			\$ 2,270,288	\$ 1,684,884

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

City of Grosse Pointe Park
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2023

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of City of Grosse Pointe Park under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of City of Grosse Pointe Park, it is not intended to and does not present the financial position, changes in net position, or cash flows of City of Grosse Pointe Park.

Note 2 - Summary of Significant Accounting Policies

Expenditures

Expenditures reported on the Schedule are reported on the modified accrual and accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance where certain types of expenditures are not allowable or are limited as to reimbursement.

Indirect Cost Rate

City of Grosse Pointe Park has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Reconciliation to the Financial Statements

Certain grants that were awarded as a result of a FEMA disaster require recipients to recognize the federal expenditure when the funds are obligated. Therefore, only \$136,617 of the current year expenditures related to assistance listing number 97.036 recognized in Schedule of Expenditures of Federal Awards is recognized as revenue in the General Fund financial statements.

Following is a reconciliation of the expenditures reported in the schedule of expenditures of federal awards to the revenue recognized in the City's financial statements.

<u>Federal Revenue Recorded in the City's Financial Statements</u>	
General Fund	\$ 136,617
Water and Sewer Fund	575,826
	<u>712,443</u>
AL 14.218 deferred inflow of resources	20,000
AL 97.036 deferred inflow of resources	952,441
Federal expenditures	<u><u>\$ 1,684,884</u></u>

**City of Grosse Pointe Park
Schedule of Findings and Questioned Costs
June 30, 2023**

Section I – Summary of Auditors’ Results

Financial Statements

Type of report the auditor issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? X yes no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified? yes X no
- Significant deficiency(ies) identified? X yes none reported

Type of auditors’ report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes no

Identification of major federal programs:

<i>Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>
97.036	Disaster Grants – Public Assistance (Presidentially Declared Disasters)

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

Auditee qualified as low-risk auditee? yes X no

**City of Grosse Pointe Park
Schedule of Findings and Questioned Costs
June 30, 2023**

Section II – Government Auditing Standards Findings

2023-001 – Material Weakness – Prior Period Adjustments

Criteria: Financial statements should be free of errors that could change the users' overall assessment of the City's finances.

Condition: Several material prior period adjustments were necessary to correct beginning balances. In some instances, Governmental Accounting Standards Board (GASB) statements that should have been implemented in prior periods were not implemented.

Cause/Effect: The City finance department did not properly record items in the prior period causing the financial statements to be materially misstated.

Recommendation: We recommend that management takes steps to strengthen internal controls to ensure that accounting standards are correctly adhered to.

Views of Responsible officials: Management agrees with the finding.

Corrective Action Plan: See attached corrective action plan.

2023-002 – Material Weakness and Noncompliance – Budget Overages

Criteria: The Uniform Budgeting and Accounting Act ("the Act") of the State of Michigan requires the legislative body of the local unit to amend the general appropriations act as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined. An amendment shall indicate each intended alteration in the purpose of each appropriation item affected by the amendment.

Condition: Material budget overages existed in the General Fund.

Cause/Effect: The City finance department was correcting many historical errors near year end that prevented them from having accurate accounting figures that resulted in budget overages to expenditure activities.

Recommendation: We recommend management strengthen internal controls to ensure that all possible budget overages are identified prior to year end and that budget amendments are formally approved by Council to prevent any overages.

Views of Responsible officials: Management agrees with the finding.

Corrective Action Plan: See attached corrective action plan.

**City of Grosse Pointe Park
Schedule of Findings and Questioned Costs
June 30, 2023**

2023-003 – Significant Deficiency and Noncompliance – Policies

Criteria: State statute requires the City to have certain policies established to safeguard the financial assets of the City.

Condition: No formal policies exist for electronic transactions, credit card usage, acceptance of credit cards for payment of taxes, and investments.

Cause/Effect: The City finance department was unaware of certain policy requirements in previous years.

Recommendation: We recommend management ensures that a policy is established for all activities that state statute requires.

Views of Responsible officials: Management agrees with the finding.

Corrective Action Plan: See attached corrective action plan.

Section III – Federal Award Findings

2023-004 – Significant Deficiency – Policies

Criteria: Uniform Guidance requires certain policies be in place to govern federal funding.

Condition: The City did not formally adopt grant policies required by the Uniform Guidance.

Cause/Effect: The City finance department in previous years did not have the grant compliance knowledge and experience to know what policies needed to be implemented.

Recommendation: We recommend management ensures a complete review and implementation of Uniform Guidance policies.

Views of Responsible officials: Management agrees with the finding.

Corrective Action Plan: See attached corrective action plan.

**City of Grosse Pointe Park
Summary Schedule of Prior Audit Findings
June 30, 2023**

Section IV – Prior Audit Findings

Government Auditing Standards Findings

There were no *Government Auditing Standards* findings for the year ended June 30, 2022.

Federal Award Findings

No single audit was required or performed for the fiscal year ended June 30, 2022, therefore; there were no findings or questioned costs for Federal Awards for the year ended June 30, 2022.

**City of Grosse Pointe Park
Corrective Action Plan
June 30, 2023**



The city Treasurer/Finance Director and their Deputy Treasurer retired from the city on March 31, 2023. The City of Grosse Pointe Park hired a new Treasurer/Finance Director who aided the city in the preparation of its financial reporting for fiscal year end on 6/30/2023 for the city's annual audit.

The city's new Finance Director identified various material weaknesses, deficiencies, and noncompliance issues during the process of preparing the necessary financial documents needed for the city's annual audit. Deficiencies and noncompliance issues as discovered were discussed, directly with the City Manager.

The first task in preparing for the audit was to secure an Audit firm. The city's new Finance Director prepared and posted a request for proposal (RFP) for the city's Financial Auditing Services for FY2023 in April of 2023. The city's administration interviewed Auditing Firms and successfully entered into a contract agreement with Yeo & Yeo P. C.

The Schedule of Findings prepared by the Auditor were also identified by the city's new Finance Director with several remedies already completed, with others weaknesses and deficiencies still open, to be completed by fiscal year end 2024, as the focus has been on correcting errors within the city's income statement and balance sheet accounts, and on preparing the proper audit work papers for the city's annual audit ending on 6/30/2023

The following findings were stated by the Auditor's:

2023-001 Material Weakness – Prior Period Adjustments

Prior period adjustments addressed in this section were prepared by both the city's new Finance Director and the city's new Audit firm. Fund and governmental wide statements effected have been restated for 6/30/2022 to correct beginning balances on 7/1/2022 for the FY2023's financial reporting have been completed.

- Prior period adjustments for asset accounts on the city's balance sheet, used to record city general government revenues and expenditures, have been properly reclassified by the city's new Finance Director into their proper income statement revenue and expenditure accounts affecting the city's unassigned fund balance on 6/30/2023.
- The recognition of restricted fund balance for PEG funds and non-spendable pre-paid expenses documented for the first time in FY2023, are funds not available to the unit of government affecting the city's unassigned fund balance.

**City of Grosse Pointe Park
Corrective Action Plan
June 30, 2023**

- The major restatements of the city's financial report affecting the city's balance sheet account activities for FY2023 included, the restatement of long-term debt of \$4.5M (understated for FY2022), pension liability of \$1.7M, OPEB of \$3.0M and the city's capital assets (\$3.8M) were reflected during the audit preparation process.

2023-002 Material Weakness and Noncompliance – Budget Overages

The city's FY2023 governmental budget overages were the direct result of the new Finance Director and Auditor closing the various asset accounts, historically being used to recognize revenues and expenditures. These revenue sources and expenditures existed in the city's 101 general fund and the city's 592 water & sewer fund balance sheets. These asset account balances have now been brought to a zero balance, inactivated in the city's general ledger, and corrected with the closing of the FY2023 fiscal year.

2023-003 Significant Deficiency and Noncompliance – Policies

The city's new Finance Director addressed policies as required to be in place under the Michigan Compiled Law (MCL) and within the Uniform Guidance (UG) and will have all required policies adopted and implemented by 6/30/2024, the end of fiscal year 2024.

- The acceptance of all electronic payment methods, bringing the city into compliance with P.A. 280 of 1995 and MCL 129.221 through 129.224 and P.A. 40 MCL 129.12 adopted by the City Council under resolution 2023-08-14 item 292,
- The use of commercial business procurement cards, bringing the city into compliance with P.A. 266 of 1995 adopted by the City Council under resolution 2023-10-16 item 373,
- The adoption of the city's banking & financial depositories, bringing the city into compliance with MCL 129.12 adopted by the City Council under resolution 2023-08-14 item 295,
- The city will be completing a capital asset policy to account for, protect the city's assets, and present it to the City Council, to be completed and implemented by fiscal year end 6/30/2024.

2023-004 Significant Deficiency – Policies

- The City Manager and new Finance Director are drafting a City Grant Policy to be adopted by the City Council, to be completed and implemented by fiscal year end 6/30/2024.
- The City Manager and new Finance Director will be drafting a new City Procurement Policy that will include the Uniform Guidance (UG) requirements for federal grant procurement to be adopted by the City Council, to be completed and implemented by fiscal year end 6/30/2024.


Ginger Moriarty
City Treasurer/Finance Director