



# MICHIGAN

OFFICE OF THE AUDITOR GENERAL

## AUDIT REPORT



THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

The auditor general shall conduct post audits of financial transactions and accounts of the state and of all branches, departments, offices, boards, commissions, agencies, authorities and institutions of the state established by this constitution or by law, and performance post audits thereof.

– Article IV, Section 53 of the Michigan Constitution

Audit report information can be accessed at:

*<http://audgen.michigan.gov>*



Michigan  
Office of the Auditor General  
**REPORT SUMMARY**

*Financial Audit*  
*Including the Provisions of the Single Audit Act*

Report Number:  
151-0100-11

*Department of Civil Rights*

*October 1, 2008 through September 30, 2010*

Released:  
May 2011

*A single audit is designed to meet the needs of all financial report users, including an entity's federal grantor agencies. The audit determines if the financial schedules and/or financial statements are fairly presented; considers internal control over financial reporting and internal control over federal program compliance; determines compliance with requirements material to the financial schedules and/or financial statements; and assesses compliance with direct and material requirements of the major federal programs.*

**Financial Schedules:**

**Auditor's Report Issued**

We issued an unqualified opinion on the Department of Civil Rights' (DCR's) financial schedules.

~ ~ ~ ~ ~

**Internal Control Over Financial Reporting**

We did not report any findings related to internal control over financial reporting.

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**Noncompliance and Other Matters  
Material to the Financial Schedules**

We did not identify any instances of noncompliance or other matters applicable to the financial schedules that are required to be reported under *Government Auditing Standards*.

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**Federal Awards:**

**Auditor's Reports Issued on Compliance**

We audited 2 programs as major programs and issued 2 unqualified opinions. DCR expended a total of \$4.0 million in federal awards during the two-year period ended September 30, 2010. The federal programs audited as major programs are identified on the back of this summary.

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**Internal Control Over Major Programs**

We did not report any findings related to internal control over federal program compliance.

~ ~ ~ ~ ~

**Required Reporting of Noncompliance**

We did not identify any instances of noncompliance that are required to be reported in accordance with U.S. Office of Management and Budget (OMB) Circular A-133.

~ ~ ~ ~ ~

**Internal Accounting and Administrative Control System:**

Section 18.1489 of the *Michigan Compiled Laws* requires the Auditor General to evaluate the implementation of Sections 18.1483 - 18.1488 of the *Michigan Compiled Laws* and report to the Legislature in the financial audit of each department. As a result of Executive Reorganization Order No. 2007-31 (Consolidating Internal Audit Functions), in which responsibility for most of the sections was moved to the Office of Internal Audit Services, Department of Management and Budget, we have evaluated the implementation of only Section 18.1485 in this financial audit. Section 18.1485 requires each

department director to establish an internal accounting and administrative control system, defines the elements of that system, defines the duties of the department director, and provides for certain reports. We determined that DCR was in substantial compliance with Section 18.1485 of the *Michigan Compiled Laws*.

The remaining sections (Sections 18.1483, 18.1484, and 18.1486 - 18.1488 of the *Michigan Compiled Laws*) will be evaluated and reported on in the performance audit of the Office of Internal Audit Services, Department of Technology, Management & Budget.



We audited the following programs as major programs:

| <u>CFDA Number</u> | <u>Program Title</u>   | <u>Compliance Opinion</u> |
|--------------------|--|---------------------------|
| 14.401             | Fair Housing Assistance Program - State and Local                                      | Unqualified               |
| 30.002             | Employment Discrimination - State and Local Fair Employment Practices Agency Contracts | Unqualified               |

A copy of the full report can be obtained by calling 517.334.8050 or by visiting our Web site at: <http://audgen.michigan.gov>



Michigan Office of the Auditor General  
201 N. Washington Square  
Lansing, Michigan 48913

**Thomas H. McTavish, C.P.A.**  
Auditor General

**Scott M. Strong, C.P.A., C.I.A.**  
Deputy Auditor General



STATE OF MICHIGAN  
OFFICE OF THE AUDITOR GENERAL  
201 N. WASHINGTON SQUARE  
LANSING, MICHIGAN 48913  
(517) 334-8050  
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

May 5, 2011

Mr. Matthew Wesaw, Chair  
Civil Rights Commission  
and  
Daniel Krichbaum, Ph.D., Director  
Department of Civil Rights  
Capitol Tower Building  
Lansing, Michigan

Dear Mr. Wesaw and Dr. Krichbaum:

This is our report on the financial audit, including the provisions of the Single Audit Act, of the Department of Civil Rights (DCR) for the period October 1, 2008 through September 30, 2010.

This report contains our report summary, our independent auditor's report on the financial schedules, and the DCR financial schedules and supplemental financial schedules. This report also contains our independent auditor's report on internal control over financial reporting and on compliance and other matters, our independent auditor's report on compliance with requirements that could have a direct and material effect on each major program and on internal control over compliance in accordance with U.S. Office of Management and Budget Circular A-133, and our schedule of findings and questioned costs. In addition, this report contains DCR's summary schedule of prior audit findings, its corrective action plan, and a glossary of acronyms and terms.

We appreciate the courtesy and cooperation extended to us during this audit.

AUDITOR GENERAL



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INDEPENDENT AUDITOR'S REPORT AND  
FINANCIAL SCHEDULES



STATE OF MICHIGAN  
OFFICE OF THE AUDITOR GENERAL  
201 N. WASHINGTON SQUARE  
LANSING, MICHIGAN 48913  
(517) 334-8050  
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

## Independent Auditor's Report on the Financial Schedules

Mr. Matthew Wesaw, Chair  
Civil Rights Commission  
and  
Daniel Krichbaum, Ph.D., Director  
Department of Civil Rights  
Capitol Tower Building  
Lansing, Michigan

Dear Mr. Wesaw and Dr. Krichbaum:

We have audited the accompanying financial schedules of the Department of Civil Rights for the fiscal years ended September 30, 2010 and September 30, 2009, as identified in the table of contents. These financial schedules are the responsibility of the Department's management. Our responsibility is to express an opinion on these financial schedules 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 financial schedules are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial schedules. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial schedule presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, the financial schedules present only the revenues and the sources and disposition of authorizations for the Department of Civil Rights' General Fund accounts, presented using the current financial resources measurement focus and the modified accrual basis of accounting. Accordingly, these financial schedules do not purport to, and do not, constitute a complete financial presentation of either the Department or the State's General Fund in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial schedules referred to in the first paragraph present fairly, in all material respects, the General Fund revenues and the sources and disposition of General Fund authorizations of the Department of Civil Rights for the fiscal years ended September 30, 2010 and September 30, 2009 on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 13, 2011 on our consideration of the Department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The schedule of expenditures of federal awards, required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and other supplemental financial schedules, as identified in the table of contents, are presented for purposes of additional analysis and are not a required part of the Department's financial schedules referred to in the first paragraph. Such information has been subjected to the auditing procedures applied in the audit of the financial schedules and, in our opinion, is fairly stated, in all material respects, in relation to the financial schedules taken as a whole.

AUDITOR GENERAL

April 13, 2011

DEPARTMENT OF CIVIL RIGHTS  
Schedule of General Fund Revenues  
Fiscal Years Ended September 30

|   | <u>2010</u>                | <u>2009</u>                |
|---|----------------------------|----------------------------|
| REVENUES  |                            |                            |
| From federal agencies:                                    |                            |                            |
| U.S. Equal Employment Opportunity Commission contract     | \$ 1,002,600               | \$ 867,450                 |
| U.S. Department of Housing and Urban Development contract | 1,102,546                  | 851,853                    |
| U.S. Department of Justice                                |                            | 159,200                    |
| U.S. Department of Labor                                  |                            | 1,004                      |
| Total from federal agencies                               | <u>\$ 2,105,146</u>        | <u>\$ 1,879,507</u>        |
| From services   | 7,827                      | 9,314                      |
| Miscellaneous   | <u>30,416</u>              | <u>33,317</u>              |
| Total revenues  | <u><u>\$ 2,143,389</u></u> | <u><u>\$ 1,922,138</u></u> |

The accompanying notes are an integral part of the financial schedules.

DEPARTMENT OF CIVIL RIGHTS  
Schedule of Sources and Disposition of General Fund Authorizations  
Fiscal Years Ended September 30

|   | <u>2010</u>              | <u>2009</u>              |
|---|--------------------------|--------------------------|
| <b>SOURCES OF AUTHORIZATIONS (Note 2)</b>         |                          |                          |
| General purpose appropriations                    | \$ 11,631,100            | \$ 11,860,900            |
| Restricted financing sources                      | <u>2,139,691</u>         | <u>1,918,766</u>         |
| <br>Total   | <br><u>\$ 13,770,791</u> | <br><u>\$ 13,779,666</u> |
| <br><b>DISPOSITION OF AUTHORIZATIONS (Note 2)</b> |                          |                          |
| Expenditures                                      | <u>\$ 11,928,435</u>     | <u>\$ 13,492,101</u>     |
| Balances carried forward:                         |                          |                          |
| Encumbrances                                      | <u>\$ 249,692</u>        | <u>\$ 0</u>              |
| Total balances carried forward                    | <u>\$ 249,692</u>        | <u>\$ 0</u>              |
| Balances lapsed                                   | <u>\$ 1,592,664</u>      | <u>\$ 287,565</u>        |
| <br>Total   | <br><u>\$ 13,770,791</u> | <br><u>\$ 13,779,666</u> |

The accompanying notes are an integral part of the financial schedules.

## Notes to the Financial Schedules

### Note 1 Significant Accounting Policies

#### a. Reporting Entity

The accompanying financial schedules report the results of the financial transactions of the Department of Civil Rights (DCR) for the fiscal years ended September 30, 2010 and September 30, 2009. The financial transactions of DCR are accounted for in the State's General Fund and are reported on in the *State of Michigan Comprehensive Annual Financial Report (SOMCAFR)*.

The notes accompanying these financial schedules relate directly to DCR. The *SOMCAFR* provides more extensive disclosures regarding the State's significant accounting policies; budgeting, budgetary control, and legal compliance; pension benefits; and other postemployment benefits.

#### b. Measurement Focus, Basis of Accounting, and Presentation

The financial schedules contained in this report are presented using the current financial resources measurement focus and the modified accrual basis of accounting, as provided by accounting principles generally accepted in the United States of America. Under the modified accrual basis of accounting, revenues are recognized as they become susceptible to accrual, generally when they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Expenditures generally are recorded when a liability is incurred; however, certain expenditures related to long-term obligations are recorded only when payment is due and payable.

The accompanying financial schedules present only the revenues and the sources and disposition of authorizations for DCR's General Fund accounts. Accordingly, these financial schedules do not purport to, and do not, constitute a complete financial presentation of either DCR or the State's General Fund in conformity with accounting principles generally accepted in the United States of America.

Note 2 Schedule of Sources and Disposition of General Fund Authorizations

The various elements of the schedule of sources and disposition of General Fund authorizations are defined as follows:

- a. General purpose appropriations: Original appropriations and any supplemental appropriations that are financed by General Fund/general purpose revenues.
- b. Restricted financing sources: Collections of restricted revenues, restricted transfers, and restricted intrafund expenditure reimbursements used to finance programs as detailed in the appropriations act. These financing sources are authorized for expenditure up to the amount appropriated. Depending upon program statute, any amounts received in excess of the appropriation are, at year-end, either converted to general purpose financing sources and made available for general appropriation in the next fiscal year or carried forward to the next fiscal year as either restricted revenues - authorized or restricted revenues - not authorized or used.
- c. Encumbrances: Authorizations carried forward to finance payments for goods or services ordered during the fiscal year but not received by fiscal year-end. These authorizations are generally limited to obligations funded by general purpose appropriations. During fiscal year 2009-10, encumbrances totaling \$249,692 were recorded that related to the undelivered purchase of information technology equipment and services.
- d. Balances lapsed: Authorizations that were unexpended and unobligated at the end of the fiscal year. These amounts are available for legislative appropriation in the subsequent fiscal year. During fiscal years 2009-10 and 2008-09, balances lapsed totaled \$1,592,664 and \$287,565, respectively. These balances lapsed were because of employee layoffs.



# SUPPLEMENTAL FINANCIAL SCHEDULES

DEPARTMENT OF CIVIL RIGHTS  
Schedule of Sources and Disposition of General Fund Authorizations by Appropriation Unit  
Fiscal Years Ended September 30

|                                      | 2010                       |                           |                               |                            |                  | Total                |
|--------------------------------------|----------------------------|---------------------------|-------------------------------|----------------------------|------------------|----------------------|
|                                      | Civil Rights<br>Operations | Unclassified<br>Positions | Information and<br>Technology | Internal Audit<br>Services | Other*           |                      |
| <b>SOURCES OF AUTHORIZATIONS</b>     |                            |                           |                               |                            |                  |                      |
| General purpose appropriations       | \$ 10,615,700              | \$ 267,100                | \$ 748,300                    | \$                         | \$               | \$ 11,631,100        |
| Restricted financing sources         | 2,105,100                  |                           |                               |                            | 34,591           | 2,139,691            |
| Total                                | <u>\$ 12,720,800</u>       | <u>\$ 267,100</u>         | <u>\$ 748,300</u>             | <u>\$ 0</u>                | <u>\$ 34,591</u> | <u>\$ 13,770,791</u> |
| <b>DISPOSITION OF AUTHORIZATIONS</b> |                            |                           |                               |                            |                  |                      |
| Expenditures                         | \$ 11,002,997              | \$ 203,886                | \$ 686,961                    | \$                         | \$ 34,591        | \$ 11,928,435        |
| Balances carried forward:            |                            |                           |                               |                            |                  |                      |
| Encumbrances                         | \$ 249,692                 | \$                        | \$                            | \$                         | \$               | \$ 249,692           |
| Total balances carried forward       | \$ 249,692                 | \$ 0                      | \$ 0                          | \$ 0                       | \$ 0             | \$ 249,692           |
| Balances lapsed                      | \$ 1,468,111               | \$ 63,214                 | \$ 61,339                     | \$                         | \$               | \$ 1,592,664         |
| Total                                | <u>\$ 12,720,800</u>       | <u>\$ 267,100</u>         | <u>\$ 748,300</u>             | <u>\$ 0</u>                | <u>\$ 34,591</u> | <u>\$ 13,770,791</u> |

\* Includes Freedom of Information Act fees; subpoena fees; and fees for workshops, seminars, and awards.

2009

| Civil Rights<br>Operations | Unclassified<br>Positions | Information and<br>Technology | Internal Audit<br>Services | Other*           | Total                      |
|----------------------------|---------------------------|-------------------------------|----------------------------|------------------|----------------------------|
| \$ 10,743,400<br>1,878,503 | \$ 264,700                | \$ 784,100                    | \$ 68,700                  | \$ 40,263        | \$ 11,860,900<br>1,918,766 |
| <u>\$ 12,621,903</u>       | <u>\$ 264,700</u>         | <u>\$ 784,100</u>             | <u>\$ 68,700</u>           | <u>\$ 40,263</u> | <u>\$ 13,779,666</u>       |
| <br>                       |                           |                               |                            |                  |                            |
| \$ 12,386,599              | \$ 236,390                | \$ 760,149                    | \$ 68,700                  | \$ 40,263        | \$ 13,492,101              |
| \$                         | \$                        | \$                            | \$                         | \$               | \$ 0                       |
| \$ 0                       | \$ 0                      | \$ 0                          | \$ 0                       | \$ 0             | \$ 0                       |
| \$ 235,304                 | \$ 28,310                 | \$ 23,951                     | \$                         | \$               | \$ 287,565                 |
| <u>\$ 12,621,903</u>       | <u>\$ 264,700</u>         | <u>\$ 784,100</u>             | <u>\$ 68,700</u>           | <u>\$ 40,263</u> | <u>\$ 13,779,666</u>       |

DEPARTMENT OF CIVIL RIGHTS  
Schedule of Expenditures by Category  
For the Fiscal Years Ended September 30

|  | <u>2010</u>          | <u>2009</u>          |
|--|----------------------|----------------------|
| Salaries, wages, and benefits                | \$ 9,682,058         | \$ 10,794,697        |
| Travel related                               | 93,011               | 133,659              |
| Contractual and other services:              |                      |                      |
| Telecommunications                           | 109,149              | 121,854              |
| Mailing and postage                          | 54,751               | 76,944               |
| Individual purchased service                 | 33,069               | 29,824               |
| Purchased automated data processing services | 686,961              | 760,149              |
| Other miscellaneous services                 | 68,205               | 236,836              |
| Supplies and materials                       | 78,390               | 87,930               |
| Building rentals:                            |                      |                      |
| State owned                                  | 814,295              | 842,269              |
| Privately owned                              | 218,805              | 291,082              |
| Equipment rental, lease, and purchase        | 54,298               | 59,967               |
| Other miscellaneous expenditures             | <u>35,443</u>        | <u>56,890</u>        |
| Total expenditures                           | <u>\$ 11,928,435</u> | <u>\$ 13,492,101</u> |

DEPARTMENT OF CIVIL RIGHTS  
Schedule of Expenditures of Federal Awards (1)  
For the Period October 1, 2008 through September 30, 2010

| Federal Agency/Program  | CFDA (2)<br>Number | Pass-Through<br>Identification<br>Number | Directly Expended for the<br>Fiscal Years Ended September 30 |                     | Total Expended<br>and Distributed<br>for the<br>Two-Year Period |
|---|--------------------|--|--|---------------------|---|
|   |                    |  | 2009   | 2010                |   |
| <b><u>U.S. Department of Housing and Urban Development</u></b>                            |                    |  |  |                     |   |
| Direct Program:   |                    |  |  |                     |   |
| Fair Housing Assistance Program - State and Local   | 14.401             |  | \$ 851,853   | \$ 1,102,546        | \$ 1,954,399  |
| <b>Total U.S. Department of Housing and Urban Development</b>                             |                    |  | <b>\$ 851,853</b>  | <b>\$ 1,102,546</b> | <b>\$ 1,954,399</b>   |
| <b><u>U.S. Department of Justice</u></b>  |                    |  |  |                     |   |
| Pass-Through Program:   |                    |  |  |                     |   |
| Michigan Department of Community Health<br>Crime Victim Assistance                        | 16.575             | 20996-3V08                               | \$ 159,200   | \$                  | \$ 159,200  |
| <b>Total U.S. Department of Justice</b>   |                    |  | <b>\$ 159,200</b>  | <b>\$ 0</b>         | <b>\$ 159,200</b>   |
| <b><u>U.S. Equal Employment Opportunity Commission</u></b>                                |                    |  |  |                     |   |
| Direct Program:   |                    |  |  |                     |   |
| Employment Discrimination - State and Local Fair Employment<br>Practices Agency Contracts | 30.002             |  | \$ 867,450   | \$ 1,002,600        | \$ 1,870,050  |
| <b>Total U.S. Equal Employment Opportunity Commission</b>                                 |                    |  | <b>\$ 867,450</b>  | <b>\$ 1,002,600</b> | <b>\$ 1,870,050</b>   |
| Total Expenditures of Federal Awards  |                    |  | <u>\$ 1,878,503</u>  | <u>\$ 2,105,146</u> | <u>\$ 3,983,649</u>   |

(1) Basis of Presentation: This schedule presents the federal grant activity of the Department of Civil Rights on the modified accrual basis of accounting and in accordance with the requirements of U.S. Office of Management and Budget (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 financial schedules.

(2) CFDA is defined as *Catalog of Federal Domestic Assistance*.



# INDEPENDENT AUDITOR'S REPORTS ON INTERNAL CONTROL AND COMPLIANCE



STATE OF MICHIGAN  
OFFICE OF THE AUDITOR GENERAL  
201 N. WASHINGTON SQUARE  
LANSING, MICHIGAN 48913  
(517) 334-8050  
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

## Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters

Mr. Matthew Wesaw, Chair  
Civil Rights Commission  
and  
Daniel Krichbaum, Ph.D., Director  
Department of Civil Rights  
Capitol Tower Building  
Lansing, Michigan

Dear Mr. Wesaw and Dr. Krichbaum:

We have audited the financial schedules of the Department of Civil Rights for the fiscal years ended September 30, 2010 and September 30, 2009, as identified in the table of contents, and have issued our report thereon dated April 13, 2011. 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 Department's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial schedules, but not for the purpose of expressing an opinion on the effectiveness of the Department's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Department'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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial schedules 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 in the preceding paragraph.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Department's financial schedules 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 schedule 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 the Governor, the Legislature, the Civil Rights Commission, management, others within the Department, 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. However, this report is a matter of public record and its distribution is not limited.

AUDITOR GENERAL

April 13, 2011



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LANSING, MICHIGAN 48913  
(517) 334-8050  
FAX (517) 334-8079

THOMAS H. MCTAVISH, C.P.A.  
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Independent Auditor's Report on Compliance With  
Requirements That Could Have a Direct and Material Effect on  
Each Major Program and on Internal Control Over Compliance in  
Accordance With OMB Circular A-133

Mr. Matthew Wesaw, Chair  
Civil Rights Commission  
and  
Daniel Krichbaum, Ph.D., Director  
Department of Civil Rights  
Capitol Tower Building  
Lansing, Michigan

Dear Mr. Wesaw and Dr. Krichbaum:

Compliance

We have audited the Department of Civil Rights' compliance 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 each of the Department's major federal programs for the two-year period ended September 30, 2010. The Department's major federal programs are 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 each of its major federal programs is the responsibility of the Department's management. Our responsibility is to express an opinion on the Department'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 in the preceding paragraph that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Department'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 of the Department's compliance with those requirements.

In our opinion, the Department of Civil Rights complied, in all material respects, with the compliance requirements referred to in the first paragraph that could have a direct and material effect on each of its major federal programs for the two-year period ended September 30, 2010.

#### Internal Control Over Compliance

Management of the Department 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 Department's internal control over compliance with requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Department'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 a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined in the preceding paragraph.

This report is intended solely for the information and use of the Governor, the Legislature, the Civil Rights Commission, management, others within the Department, 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. However, this report is a matter of public record and its distribution is not limited.

AUDITOR GENERAL

April 13, 2011

# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

## Section I: Summary of Auditor's Results

### Financial Schedules

|   |               |
|---|---------------|
| Type of auditor's report issued:                                    | Unqualified*  |
| Internal control* over financial reporting:                         |               |
| Material weaknesses* identified?                                    | No            |
| Significant deficiencies* identified?                               | None reported |
| Noncompliance or other matters material to the financial schedules? | No            |

### Federal Awards

|  |               |
|--|---------------|
| Internal control over major programs:  |               |
| Material weaknesses* identified?   | No            |
| Significant deficiencies* identified?  | None reported |
| Type of auditor's report issued on compliance for major programs:  | Unqualified   |
| Any audit findings disclosed that are required to be reported in accordance with U.S. Office of Management and Budget* (OMB) Circular A-133, Section 510(a)? | No            |

Identification of major programs:

| <u>CFDA* Number</u> | <u>Name of Federal Program</u>  |
|---------------------|---|
| 14.401              | Fair Housing Assistance Program - State and Local   |
| 30.002              | Employment Discrimination - State and Local<br>Fair Employment Practices Agency Contracts |

|  |           |
|--|-----------|
| Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| Auditee qualified as a low-risk auditee*?                                | No        |

\* See glossary at end of report for definition.

## **Section II: Findings Related to the Financial Schedules**

We did not report any findings related to the financial schedules.

## **Section III: Findings and Questioned Costs\* Related to Federal Awards**

We did not report any findings related to federal awards.

*\* See glossary at end of report for definition.*

## OTHER SCHEDULES

DEPARTMENT OF CIVIL RIGHTS  
Summary Schedule of Prior Audit Findings  
As of April 13, 2011

**PRIOR AUDIT FINDINGS RELATED TO THE FINANCIAL SCHEDULES**

There were no findings related to the financial schedules in the prior single audit\*.

**PRIOR AUDIT FINDINGS RELATED TO FEDERAL AWARDS**

There were no findings related to federal awards in the prior single audit.

*\* See glossary at end of report for definition.*

DEPARTMENT OF CIVIL RIGHTS  
Corrective Action Plan  
As of April 25, 2011

**FINDINGS RELATED TO THE FINANCIAL SCHEDULES**

There were no findings related to the financial schedules for fiscal years 2009-10 and 2008-09.

**FINDINGS RELATED TO FEDERAL AWARDS**

There were no findings related to federal awards for the two-year period ended September 30, 2010.

# GLOSSARY

## Glossary of Acronyms and Terms

*Catalog of Federal  
Domestic Assistance  
(CFDA)*

The catalog that provides a full listing, with detailed program descriptions, of all federal programs available to state and local governments.

deficiency in internal  
control over federal  
program compliance

The design or operation of a control over compliance that 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.

deficiency in internal  
control over financial  
reporting

The design or operation of a control that 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.

DCR

Department of Civil Rights.

financial audit

An audit that is designed to provide reasonable assurance about whether the financial schedules and/or financial statements of an audited entity are presented fairly in all material respects in conformity with the disclosed basis of accounting.

internal control

A process, effected by those charged with governance, management, and other personnel, designed to provide reasonable assurance about the achievement of the entity's objectives with regard to the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.

|   |   |
|---|---|
| low-risk auditee  | As provided for in OMB Circular A-133, an auditee that may qualify for reduced federal audit coverage if it receives an annual single audit and it meets other criteria related to prior audit results. In accordance with State statute, this single audit was conducted on a biennial basis; consequently, this auditee is not considered a low-risk auditee. |
| material misstatement   | A misstatement in the financial schedules and/or financial statements that causes the schedules and/or statements to not present fairly the financial position or the changes in financial position or cash flows in conformity with the disclosed basis of accounting.   |
| material noncompliance  | Violations of laws, regulations, contracts, and grants that could have a direct and material effect on major federal programs or on financial schedule and/or financial statement amounts.  |
| material weakness in internal control over federal program compliance | 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.   |
| material weakness in internal control over financial reporting        | A deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial schedules and/or financial statements will not be prevented, or detected and corrected, on a timely basis.  |
| pass-through entity   | A nonfederal entity that provides a federal award to a subrecipient to carry out a federal program.   |

questioned cost

A cost that is questioned by the auditor because of an audit finding: (1) which resulted from a violation or possible violation of a provision of a law, regulation, contract, grant, cooperative agreement, or other agreement or document governing the use of federal funds, including funds used to match federal funds; (2) where the costs, at the time of the audit, are not supported by adequate documentation; or (3) where the costs incurred appear unreasonable and do not reflect the actions a prudent person would take in the circumstances.

significant deficiency  
in internal control over  
federal program  
compliance

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.

significant deficiency  
in internal control over  
financial reporting

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.

single audit

A financial audit, performed in accordance with the Single Audit Act Amendments of 1996, that is designed to meet the needs of all federal grantor agencies and other financial report users. In addition to performing the audit in accordance with the requirements of 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, a single audit requires the assessment of compliance with requirements that could have a direct and material effect on a major federal program and the consideration of internal control over compliance in accordance with OMB Circular A-133.

SOMCAFR

*State of Michigan Comprehensive Annual Financial Report.*

unqualified opinion

An auditor's opinion in which the auditor states that:

- a. The financial schedules and/or financial statements presenting the basic financial information of the audited agency are fairly presented in conformity with the disclosed basis of accounting; or
- b. The financial schedules and/or financial statements presenting supplemental financial information are fairly stated in relation to the basic financial schedules and/or financial statements. In issuing an "in relation to" opinion, the auditor has applied auditing procedures to the supplemental financial schedules and/or financial statements to the extent necessary to form an opinion on the basic financial schedules and/or financial statements, but did not apply auditing procedures to the extent that would be necessary to express an opinion on the supplemental financial schedules and/or financial statements taken by themselves; or
- c. The audited agency complied, in all material respects, with the cited requirements that are applicable to each major federal program.

U.S. Office of  
Management and  
Budget (OMB)

A cabinet-level office that assists the President in overseeing the preparation of the federal budget and in supervising its administration in executive branch agencies.



