

FINANCIAL AUDIT  
INCLUDING THE PROVISIONS OF THE SINGLE AUDIT ACT  
OF THE

DEPARTMENT OF CIVIL RIGHTS

October 1, 2000 through September 30, 2002



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

**Financial Audit**

*Including the Provisions of the Single Audit Act  
 October 1, 2000 through September 30, 2002*

**Department of Civil Rights (DCR)**

Report Number:  
 15-100-03

Released:  
 June 2003

*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 State compliance 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 DCR's financial schedules.

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**Internal Control Over Financial Reporting**

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

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**Noncompliance Material to  
 the Financial Schedules**

We did not identify any instances of noncompliance 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. 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 major programs.

~ ~ ~ ~ ~

**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.

~ ~ ~ ~ ~

**Systems of Accounting and Internal Control:**

We determined that DCR was in substantial compliance with Sections 18.1483 - 18.1487 of the *Michigan Compiled Laws*.

~ ~ ~ ~ ~

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 (FHAP)	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: [www.state.mi.us/audgen/](http://www.state.mi.us/audgen/)



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

**James S. Neubecker, C.P.A., C.I.A., D.P.A.**  
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THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

June 26, 2003

Gary Torgow, J.D., Chair  
Civil Rights Commission  
and  
Nanette Lee Reynolds, Ed.D., Director  
Department of Civil Rights  
Capitol Tower Building  
Lansing, Michigan

Dear Mr. Torgow and Dr. Reynolds:

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, 2000 through September 30, 2002.

This report contains our report summary; our independent auditor's report on the financial schedules; and the DCR financial schedules, notes to the financial schedules, and supplemental financial schedules. This report also contains our independent auditor's reports on compliance and on internal control over financial reporting and on compliance with requirements applicable to 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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THOMAS H. MCTAVISH, C.P.A.  
AUDITOR GENERAL

## Independent Auditor's Report on the Financial Schedules

February 28, 2003

Gary Torgow, J.D., Chair  
Civil Rights Commission  
and  
Nanette Lee Reynolds, Ed.D., Director  
Department of Civil Rights  
Capitol Tower Building  
Lansing, Michigan

Dear Mr. Torgow and Dr. Reynolds:

We have audited the financial schedules of the Department of Civil Rights for the fiscal years ended September 30, 2002 and September 30, 2001, 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 1b, the financial schedules include 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 accordance 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 revenues and the sources and disposition of authorizations of the Department of Civil Rights for the fiscal years ended September 30, 2002 and September 30, 2001, on the basis of accounting described in Note 1b.

In accordance with *Government Auditing Standards*, we have also issued a report dated February 28, 2003 on our tests of the Department's compliance with certain provisions of laws, regulations, contracts, and grants and on our consideration of its internal control over financial reporting. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering 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

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

	2002	2001
REVENUES		
From federal agencies:		
U.S. Equal Employment Opportunity Commission contract	\$ 771,600	\$ 502,700
U.S. Department of Housing and Urban Development contract	410,003	320,850
Total from federal agencies	\$ 1,181,603	\$ 823,550
Miscellaneous	23,369	58,918
Total Revenues	\$ 1,204,972	\$ 882,468

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>2002</u>	<u>2001</u>
<b>SOURCES OF AUTHORIZATIONS (Note 2)</b>		
General purpose appropriations	\$ 13,593,000	\$ 14,266,900
Balances carried forward	982,968	1,190,986
Restricted financing sources	<u>1,181,603</u>	<u>823,550</u>
 Total	 <u>\$ 15,757,570</u>	 <u>\$ 16,281,436</u>
 <b>DISPOSITION OF AUTHORIZATIONS (Note 2)</b>		
Expenditures and transfers	<u>\$ 14,704,059</u>	<u>\$ 15,046,472</u>
Balances carried forward:		
Multi-year projects	\$	\$ 740,000
Encumbrances	<u>32,870</u>	<u>242,968</u>
Total balances carried forward	<u>\$ 32,870</u>	<u>\$ 982,968</u>
Balances lapsed	<u>\$ 1,020,642</u>	<u>\$ 251,996</u>
 Total	 <u>\$ 15,757,570</u>	 <u>\$ 16,281,436</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, 2002 and September 30, 2001. The financial transactions of DCR are accounted for principally 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 general disclosures regarding the State's Summary of Significant Accounting Policies; Budgeting, Budgetary Control, and Legal Compliance; and 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 generally accepted accounting principles applicable to governments. 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 collected 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 include 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 accordance with generally accepted accounting principles.

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. Balances carried forward: Authorizations for multi-year projects, encumbrances, restricted revenues - authorized, and restricted revenues - not authorized that were not spent as of the end of the prior fiscal year. These authorizations are available for expenditure in the current fiscal year for the purpose of the carry-forward without additional legislative authorization, except for the restricted revenues - not authorized.
- c. Restricted financing sources: Collections of restricted revenues, restricted transfers, and restricted intrafund expenditure reimbursements 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.
- d. Multi-year projects: Unexpended authorizations for work projects and capital outlay projects that are carried forward to subsequent fiscal years for the completion of the projects. The \$740,000 carry-forward in fiscal year 2000-01 was for DCR's Succession Planning Project.
- e. Encumbrances: Authorizations carried forward to finance payments for goods or services ordered in the old fiscal year but not received by fiscal year-end. These authorizations are generally limited to obligations funded by general purpose appropriations.

- f. 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.

SUPPLEMENTAL  
FINANCIAL SCHEDULES

DEPARTMENT OF CIVIL RIGHTS  
Schedule of Certain General Fund Assets and Liabilities  
As of September 30

	<u>2002</u>	<u>2001</u>
ASSETS		
Due from federal agencies	\$ 410,090	\$ 536,691
Other assets	\$ 10,447	\$ 4,387
LIABILITIES		
Accounts payable	\$ 6,409	\$ 6,561
Deferred revenue	\$ 75,330	

This schedule is not a balance sheet and is not intended to report financial position. The schedule represents certain General Fund assets and liabilities that are the responsibility of the Department of Civil Rights. This schedule does not include assets and liabilities that are accounted for centrally by the State, such as land, buildings, equipment, equity in Common Cash, cash in transit, and warrants outstanding.



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

	2002				
	Total Authorizations	Expenditures and Transfers	Multi-Year Projects	Encumbrances	Balances Lapsed
Operations	\$ 14,302,568	\$ 13,260,947	\$	\$ 32,870	\$ 1,008,750
Commission per diem	16,200	5,325			10,875
Unclassified positions	257,200	256,184			1,016
Federal programs:					
U.S. Equal Employment Opportunity Commission contract	771,600	771,600			0
U.S. Department of Housing and Urban Development contract	410,003	410,003			0
	<u>\$ 15,757,571</u>	<u>\$ 14,704,059</u>	<u>\$ 0</u>	<u>\$ 32,870</u>	<u>\$ 1,020,642</u>

2001

<u>Total Authorizations</u>	<u>Expenditures and Transfers</u>	<u>Multi-Year Projects</u>	<u>Encumbrances</u>	<u>Balances Lapsed</u>
\$ 15,187,586	\$ 13,955,872	\$ 740,000	\$ 242,968	\$ 248,746
16,200	13,050			3,150
254,100	254,000			100
502,700	502,700			0
320,850	320,850			0
<u>\$ 16,281,436</u>	<u>\$ 15,046,472</u>	<u>\$ 740,000</u>	<u>\$ 242,968</u>	<u>\$ 251,996</u>

DEPARTMENT OF CIVIL RIGHTS  
Schedule of General Fund Expenditures by Category  
As of September 30

	<u>2002</u>	<u>2001</u>
Salaries, wages, and benefits	\$ 11,321,515	\$ 11,536,047
Travel related	196,137	237,879
Contractual and other services:		
Telecommunications	230,145	237,880
Mailing and postage	125,801	130,167
Individual purchased services	159,016	232,359
Purchased maintenance services	131,618	205,428
Purchased automated data processing services	449,125	394,118
Other miscellaneous services	114,480	141,099
Supplies and materials	235,235	312,463
Building rentals:		
State-owned	1,321,296	987,380
Privately owned	116,915	198,617
Equipment rental, lease, and purchase:		
Automated data processing equipment	181,044	320,157
Other equipment	112,173	99,848
Other miscellaneous expenditures	<u>9,560</u>	<u>13,031</u>
Total Expenditures	<u><u>\$ 14,704,059</u></u>	<u><u>\$ 15,046,472</u></u>

DEPARTMENT OF CIVIL RIGHTS  
Schedule of Expenditures of Federal Awards (1)  
For the Period October 1, 2000 through September 30, 2002

<u>Federal Agency/Program</u>	<u>CFDA (2) Number</u>	<u>Directly Expended for the Fiscal Year Ended September 30, 2001</u>	<u>Directly Expended for the Fiscal Year Ended September 30, 2002</u>	<u>Total Expended and Distributed for the Two-Year Period</u>
<b><u>U.S. Department of Housing and Urban Development</u></b>				
Direct Program:				
Fair Housing Assistance Program - State and Local (FHAP)	14.401	\$ 320,850	\$ 410,003	\$ 730,853
<b>Total U.S. Department of Housing and Urban Development</b>		<b>\$ 320,850</b>	<b>\$ 410,003</b>	<b>\$ 730,853</b>
<b><u>U.S. Equal Employment Opportunity Commission</u></b>				
Direct Program:				
Employment Discrimination - State and Local Fair Employment Practices Agency Contracts	30.002	\$ 502,700	\$ 771,600	\$ 1,274,300
<b>Total U.S. Equal Employment Opportunity Commission</b>		<b>\$ 502,700</b>	<b>\$ 771,600</b>	<b>\$ 1,274,300</b>
Total Expenditures of Federal Awards		<b>\$ 823,550</b>	<b>\$ 1,181,603</b>	<b>\$ 2,005,153</b>

(1) Basis of Presentation: This schedule includes the federal grant activity of the Department of Civil Rights and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial schedules.

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



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

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

February 28, 2003

Gary Torgow, J.D., Chair  
Civil Rights Commission  
and  
Nanette Lee Reynolds, Ed.D., Director  
Department of Civil Rights  
Capitol Tower Building  
Lansing, Michigan

Dear Mr. Torgow and Dr. Reynolds:

We have audited the financial schedules of the Department of Civil Rights for the fiscal years ended September 30, 2002 and September 30, 2001, as identified in the table of contents, and have issued our report thereon dated February 28, 2003. 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.

### Compliance

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 grants, 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 that are required to be reported under *Government Auditing Standards*.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial schedules and not to provide assurance on internal control over financial reporting. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control over

financial reporting that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial schedules being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Civil Rights Commission, the State's management, the Legislature, and federal awarding agencies 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.

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

Independent Auditor's Report on Compliance With  
Requirements Applicable to Each Major Program  
and on Internal Control Over Compliance in  
Accordance With OMB Circular A-133

February 28, 2003

Gary Torgow, J.D., Chair  
Civil Rights Commission  
and  
Nanette Lee Reynolds, Ed.D., Director  
Department of Civil Rights  
Capitol Tower Building  
Lansing, Michigan

Dear Mr. Torgow and Dr. Reynolds:

Compliance

We have audited the compliance of the Department of Civil Rights with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each major federal program for the two-year period ended September 30, 2002. 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 major federal program 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 previous 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 requirements referred to in the second previous paragraph that are applicable to each major federal program for the two-year period ended September 30, 2002.

#### Internal Control Over Compliance

The 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 in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of internal control over compliance would not necessarily disclose all matters in internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the Civil Rights Commission, the State's management, the Legislature, and federal awarding agencies 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



# 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
Reportable conditions* identified that are not considered to be material weaknesses?	None reported
Noncompliance material to the financial schedules?	No

### Federal Awards

Internal control over major programs:	
Material weaknesses identified?	No
Reportable conditions identified that are not considered to be material weaknesses?	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

\* See glossary at end of report for definition.

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.401	Fair Housing Assistance Program - State and Local (FHAP)
30.002	Employment Discrimination - State and Local 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

## **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 September 30, 2002

There were no findings in the prior Department of Civil Rights Single Audit.

DEPARTMENT OF CIVIL RIGHTS  
Corrective Action Plan  
As of February 28, 2003

**FINDINGS RELATED TO THE FINANCIAL SCHEDULES**

There were no findings related to the financial schedules for fiscal years 2000-01 and 2001-02.

**FINDINGS RELATED TO FEDERAL AWARDS**

There were no findings related to federal awards for the two-year period ended September 30, 2002.

## Glossary of Acronyms and Terms

<b>CFDA</b>	<i>Catalog of Federal Domestic Assistance.</i>
<b>DCR</b>	Department of Civil Rights.
<b>financial audit</b>	An audit that is designed to provide reasonable assurance about whether the financial schedules and/or financial statements of an audited entity are fairly presented in conformity with the disclosed basis of accounting.
<b>internal control</b>	A process, effected by management, designed to provide reasonable assurance regarding the reliability of financial reporting, effectiveness and efficiency of operations, and compliance with applicable laws and regulations.
<b>low-risk auditee</b>	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.
<b>material misstatement</b>	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 results of operations or cash flows in conformity with the disclosed basis of accounting.
<b>material noncompliance</b>	Violations of laws and regulations that could have a direct and material effect on major federal programs or on financial schedule and/or financial statement amounts.
<b>material weakness</b>	A reportable condition related to the design or operation of internal control that does not reduce to a relatively low level the risk that either misstatements caused by error or fraud in

amounts that would be material in relation to the financial schedules and/or financial statements or noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

**OMB**

U.S. Office of Management and Budget.

**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.

**reportable condition**

A matter coming to the auditor's attention relating to a significant deficiency in the design or operation of internal control that, in the auditor's judgment, could adversely affect the entity's ability to (1) record, process, summarize, and report financial data consistent with the assertions of management in the financial schedules and/or financial statements or (2) administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts, and grants.

**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.*

**subrecipient**

A nonfederal entity that expends federal awards received from another nonfederal entity to carry out a federal program.

**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 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 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.