



Wayne County  
Department of Environment  
Watershed Management Division  
MEMORANDUM

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To: Kurt Giberson, Treasurer, Alliance of Rouge Communities  
From: Kelly A. Cave, Director *Kelly A. Cave*  
Re: Audit Requirements under Watershed Alliance Act, PA 517 of 2004  
Copy: Finance Committee, Alliance of Rouge Communities  
Date: 16 August 2006

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A member of the Finance Committee, Tim Faas, recently solicited my opinion regarding whether budget needed to be allocated in 2007 or 2008 to perform an audit of the 2006 finances of the Alliance of Rouge Communities (ARC). Section 31205 of PA 517 of 2004, the Watershed Alliance Act, states:

- (1) A watershed alliance shall obtain an audit of its financial records, accounts, and procedures at least every other year.
- (2) A watershed alliance shall submit the results of an audit under subsection (1) to the governing bodies of its members and to the state treasurer.
- (3) An audit under subsection (1) shall satisfy all audit requirements set under the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a.

I have researched this issue with various parties (including our Department of Management and Budget) and offer the following for your consideration:

- Wayne County is serving as fiduciary for the ARC through the end of 2006 under a fiduciary agreement between the ARC and the County.
- No monies other than those collected on behalf of the ARC were received by the ARC, and no expenditures of the ARC were paid except by Wayne County on its behalf
- Wayne County contracts for an audit of its financial records, accounts and procedures every year.
- Wayne County's audit meets the test of local agency audits required by the state under subsection (3) above.
- Wayne County submits the results of the annual audit to the state treasurer as required by state law.

Based on this research, I offer the following recommendations for your consideration:

- During the period that Wayne County acts as fiduciary for the ARC, the ARC can refer to the County's annual audit to comply with subsection (1) above. A separate audit is not needed unless desired by the Finance Committee and/or the ARC.
- To comply with subsection (2) above, the ARC (presumably, the Treasurer) can submit a letter to the ARC members and the state treasurer notifying them that the Wayne County

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audit is performed annually, is submitted to the state treasurer annually, and is available for review upon request.

Note that this recommendation is consistent with the research conducted on this issue and subsequent procedure followed by the three downriver watershed groups in Wayne County, formed under the Inter-Municipality Committee Act (PA 200 of 1957), which has similar language under Section 123.637:

- (1) The intermunicipal committee shall obtain an audit of its financial records, accounts, and procedures not less frequently than biennially as determined by the intermunicipal committee.
- (2) The intermunicipal committee shall submit the results of an audit under subsection (1) to the state treasurer.
- (3) An audit under subsection (1) shall satisfy all audit requirements set under the uniform budgeting and accounting act, 1968 PA 2, MCL 141.421 to 141.440a.