

# Revised

CHARTER COUNTY  
OF WAYNE,  
MICHIGAN



Year Ended  
September 30, 2014

Single Audit Act  
Compliance

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# CHARTER COUNTY OF WAYNE, MICHIGAN

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INDEPENDENT AUDITORS' REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY OMB CIRCULAR A-133

September 25, 2015

Honorable Members of the Wayne County Commission  
and the County Executive of the Charter County of Wayne  
Detroit, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *Charter County of Wayne, Michigan* (the "County"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 26, 2015, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors. Our audit was conducted 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 OMB Circular A-133 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 expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Rehmann Robson LLC*

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# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2014

Federal Agency / Cluster / Program Title	CFDA Number	Pass-through / Grantor Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
Direct Programs:			
Child Nutrition Cluster-			
Summer Food Service Program For Children	10.559	-n/a-	\$ 97,256
Urban and Community Forestry Program	10.675	12-DG11420004-013	114,261
Passed through Michigan Department of Community Health:			
Special Supplemental Food - WIC	10.557	IW100342	3,291,060
Special Supplemental Food - WIC	10.557	IW100342/W500342	68,129
			3,359,189
Passed through Michigan Department of Education -			
Emergency Food Assistance Cluster -			
Emergency Food Assistance Program	10.568	82-000-1030-c	1,079,093
<b>Total U.S. Department of Agriculture</b>			4,649,799
<b>U.S. Department of Commerce</b>			
Economic Development Cluster:			
Direct Program -			
Public Works and Economic Development Facilities Assistance	11.300	06-01-05663	862,414
Passed through Michigan State Housing Development Authority -			
Urban Loan Fund	11.307	06-19-01905	1,253,659
			2,116,073
Direct Program -			
Habitat Conservation	11.463	NA11NMF4630146	2,408
<b>Total U.S. Department of Commerce</b>			2,118,481
<b>U.S. Department of Housing and Urban Development</b>			
Direct Programs:			
Community Development Block Grant/Entitlement Grant Cluster:			
Federally Qualified Health Center	14.218	B-11-UC-26-0003	97,936
2009 Community Development Block Grant	14.218	B-09-UC-26-0003	101,611
2010 Community Development Block Grant	14.218	B-10-UC-26-0003	1,032,625
2011 Community Development Block Grant	14.218	B-11-UC-26-0003	1,479,620
2012 Community Development Block Grant	14.218	B-12-UC-26-0003	1,334,839
2013 Community Development Block Grant	14.218	B-13-UC-26-0003	1,980,462
2014 Community Development Block Grant	14.218	B-14-UC-26-0003	478,552
Neighborhood Stabilization Program 1	14.218	B-08-UN-26-0006	189,995
Neighborhood Stabilization Program 3	14.218	B-11-UN-26-0006	4,986,574
			11,682,214
Emergency Shelter Grant Programs:			
2011 - Emergency Shelter Grant (McKinney Act for the Homeless)	14.231	E-11-UC-26-0003	23,041
2012 - Emergency Shelter Grant (McKinney Act for the Homeless)	14.231	E-12-UC-26-0003	468,979
			492,020
HOME Investment Partnerships Program	14.239	M-12-DC260213	5,295,223
Community Development Block Grants - Brownfield Economic Development	14.246	B-09-UC-26-0003	405,274
Community Development Block Grant Section 108 Loan Guarantee - Tech Town	14.248	B-09-UC-26-0003	426,103

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# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2014

Federal Agency / Cluster / Program Title	CFDA Number	Pass-through / Grantor Number	Federal Expenditures
<b>U.S. Department of Housing and Urban Development (continued)</b>			
Direct Programs: (continued)			
Supplemental Assistance to the Homeless	14.267	MI0101L5F021305	\$ 170,333
Lead -Based Paint Hazard Control Grant	14.900	MILHD0164-07	74,043
<b>Total U.S. Department of Housing and Urban Development</b>			<b>18,545,210</b>
<b>U.S. Department of Justice</b>			
Direct Programs:			
Domestic Violence Against Women	16.013	2010-WC-AXK002	26,070
Grants to Encourage Arrest Policies & Enforcement of Protection Orders	16.590	2013-WE-AX-0043	142,431
State Criminal Alien Assistance Program	16.606	2013-AP-BX-0784	73,476
Northern Border Prosecution Initiative	16.814	-n/a-	8,993
<b>JAG Cluster:</b>			
Direct Programs:			
Edward Byrne Memorial Justice Assistance Grant Programs:			
2009 - Edward Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0788	257,196
2010 - Edward Byrne Memorial Justice Assistance Grant Program	16.738	2010-DJ-BX-1068	562,379
2011 - Edward Byrne Memorial Justice Assistance Grant Program	16.738	2011 DJ BX 2481	210,511
2012 - Edward Byrne Memorial Justice Assistance Grant Program	16.738	2012-DJ-BX-0730	262,316
2013 - Edward Byrne Memorial Justice Assistance Grant Program	16.738	2013-DJ-BX-0503	28,363
Passed through Detroit Police Department -			
Edward Byrne Memorial Justice Assistance Grant - JAG	16.738	2012-DJ-BX-0730	351,736
Passed through Michigan Department of Community Health -			
Edward Byrne Memorial Justice Assistance Grant	16.738	2013-MU-BX-0051	145,728
			<b>1,818,229</b>
Passed through City of Detroit -			
Juvenile Justice Accountability Block Grant	16.523	2012-DJ-BX-0730	3,000
Passed through Michigan Department of Human Services -			
Juvenile Justice Accountability Block Grant	16.523	JAIBG-12-82001	90,295
Passed through Michigan Department of Human Services -			
Juvenile Accountability Block Grant	16.745	2011-MO-BX-0023	139,175
Passed through State Appellate Defender's Office:			
National Institute of Justice Research, Evaluation & Development	16.560	-n/a-	53,824
Project Sexual Assault Kit Evidence	16.560	2011-DN-BX0001	140,056
			<b>193,880</b>
Passed through Michigan Department of Community Health -			
Crime Victim Assistance Programs:			
Crime Victim Assistance	16.575	20490-17V12	702,152
Crime Victim Assistance	16.575	20093-17V12	284,925
			<b>987,077</b>
Passed through Children's Aid Society - Eastern District -			
Project Safe Neighborhoods	16.609	2012-GP-BX-0011	41,754

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# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2014

Federal Agency / Cluster / Program Title	CFDA Number	Pass-through / Grantor Number	Federal Expenditures
<b>U.S. Department of Justice (continued)</b>			
Wayne County Prison Rape Elimination Act Initiative	16.735	2010-RP-BX-K001	\$ 57,500
Passed through Children's Aid Society - Eastern District: Federal Forfeited Property	16.922	-n/a-	1,278,232
Passed through Detroit Crime Commission - Byrne Criminal Justice Innovation Program	16.817	212-AJ-BX-0002	43,277
<b>Total U.S. Department of Justice</b>			4,903,389
<b>U.S. Department of Transportation</b>			
Passed through Michigan Department of Transportation - Highway Planning & Construction Cluster - Highway Planning and Construction	20.205	-n/a-	3,219,489
Passed through Michigan Department of State Police - Highway Safety Cluster - Safety Belt Enforcement Task Force	20.600	PT-14-25	83,041
Passed through Michigan Department of State Police - Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0347-13-01-00	17,170
<b>Total U.S. Department of Transportation</b>			3,319,700
<b>U.S. Environmental Protection Agency</b>			
Direct Programs:			
Congressionally Mandated Projects	66.202	10-70-303/12-70-007	1,869,256
Great Lakes Restoration Initiative	66.469	GL01Eoo414	6,317
Brownfield Pilots Cooperative Agreements	66.818	BF97509402	245,602
Passed through Michigan Department of Environmental Quality: Great Lakes Restoration Initiative	66.454	2011-0104	62,321
State Revolving Funds - System Improvement Program	66.458	5217-15	49,839
State Revolving Funds - System Improvement Program	66.458	5416-01	5,251,143
State Revolving Funds - System Improvement Program	66.458	5419-01	2,567,067
			7,868,049
Beach Monitoring and Notification Program	66.472	-n/a-	3,100
<b>Total U.S. Environmental Protection Agency</b>			10,054,645
<b>U.S. Department of Education</b>			
Direct Programs - Special Education - Parent Information Centers	84.181	091340-190	168,400
<b>U.S. Department of Health and Human Services</b>			
Direct Programs:			
Health Center Cluster - Federally Qualified Health Center (FQHC)	93.224	1H80CS24135-01-00	857,403

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# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2014

Federal Agency / Cluster / Program Title	CFDA Number	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (continued)			
Head Start	93.600	05CH8299/02	\$ 1,239,769
Head Start	93.600	05CH8299/03	821,191
Head Start	93.600	05CH825715	14,215,730
Head Start	93.600	05CH8257/16	8,487,976
			<u>24,764,666</u>
Passed through National Association of County and City - Medical Reserve Corps Small Grant Program	93.008	MRC14-2539	<u>3,500</u>
Aging Cluster:			
Passed through Area Agency on Aging - Aging Cluster - Nutrition Services	93.045	1C-CM-01-2010	1,636,660
Passed through Senior Alliance - Aging Cluster - Nutrition Services	93.053	1C-CM-01-2010	656,478
			<u>2,293,138</u>
Passed through Michigan Department of Agriculture and Rural Development - Food and Drug Administration Research	93.103	791N4300140	<u>5,000</u>
Passed through Michigan Department of Community Health:			
Tobacco Regulation Awareness, Communication, and Education Program	93.058	HHSF223201110085C	<u>15,418</u>
Hospital Preparedness & Public Health Emergency Preparedness	93.069	1U90T000528	194,305
Public Health Emergency Preparedness - Bioterrorism Supplemental	93.069	1U90T000528	273,866
			<u>468,171</u>
Tuberculosis Control Program	93.116	U52CCU500499	<u>59,145</u>
Infant Immunization Initiative	93.268	H23CCH522556	333,701
Vaccines for Children Program	93.268	-n/a-	940,892
			<u>1,274,593</u>
Affordable Care Act Maternal, Infant, and Early Childhood Home Visiting Program	93.505	1X02MC231100100	173,984
Affordable Care Act Maternal, Infant, and Early Childhood Home Visiting Program	93.505	D89MC26358	7,775
			<u>181,759</u>
The Affordable Care Act - West Nile Virus	93.521	IU50CI000895	<u>6,000</u>
Medicaid Cluster - Medicaid Outreach & Advocacy	93.778	05U05M15ADM	101,184
Medicaid Cluster - Crippled Children	93.778	05U05M15ADM	437,045
			<u>538,229</u>
AIDS Counseling and Testing	93.940	U62PS003671	<u>148,969</u>
Preventive Health Services - Sexually Transmitted Disease	93.977	1H25PS001338	<u>106,970</u>
Preventative Health and Health Services Block Grant	93.991	B1 MI PRVS	<u>7,571</u>
Maternal and Child Health Services Block Grant	93.994	B1MIMCHS	<u>1,003,453</u>
Passed through Michigan Department of Human Services:			
TANF Cluster - Temporary Assistance for Needy Families	93.558	FIA/DHS 207A	<u>333,002</u>

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# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2014

Federal Agency / Cluster / Program Title	CFDA Number	Pass-through / Grantor Number	Federal Expenditures
<b>U.S. Department of Health and Human Services (continued)</b>			
Title IV-D - Friend of the Court and Prosecuting Attorney	93.563	CSCOM-13-82003	\$ 16,557,042
Title IV-D - Incentive Payments	93.563	CSCOMB-09-82003	2,666,543
			<u>19,223,585</u>
Foster Care - Title IV-E	93.658	ADMIN11-82001	<u>2,294,796</u>
Passed through the State Court Administrative Office - Access and Visitation Grant	93.597	SCAO2014-030	<u>40,950</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>53,626,318</u>
<b>U.S. Department of Homeland Security</b>			
Passed through Michigan Department of State Police - Emergency Management Performance Grants	97.042	EMW-2013-EP-00026-S01	<u>54,651</u>
Pre-Disaster Mitigation	97.047	LPDM-PJ-05-MI-2009-004	<u>160,463</u>
Homeland Security Grant Program	97.067	EMW-2012-22-00055	304,684
Homeland Security Grant Program	97.067	EMW-2011-SS-00103	21,678
Homeland Security Grant Program	97.067	2011 HSGP	1,114,863
Homeland Security Grant Program	97.067	2012 HSGP	708,648
Homeland Security Grant Program	97.067	2013 HSGP	27,307
Homeland Security Grant Program	97.067	2011/2012 HSGP	3,004
			<u>2,180,184</u>
Border Interoperability Demonstration Project	97.120	2011-PD-120-0005-02/03	<u>1,924,104</u>
Passed through the Michigan Department of Natural Resources - Boating Safety Financial Assistance	97.012	13103	<u>51,100</u>
Direct program - Disaster Grants - Presidentially Declared Disasters	97.036	FEMA-4195DR	<u>33,956</u>
Passed through Detroit Wayne County Port Authority - Port Security Grant Program	97.056	EMW-2011-PUK-00326	<u>158,659</u>
<b>Total U.S. Department of Homeland Security</b>			<u>4,563,117</u>
<b>Total Expenditures of Federal Awards</b>			<u>\$ 101,949,059</u>

concluded.

See notes to schedule of expenditures of federal awards.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Charter County of Wayne, Michigan (the "County") under programs of the federal government for the year ended September 30, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County.

The County's reporting entity is defined in Note 1 of the County's Comprehensive Annual Financial Report. The County's financial statements include the operations of the Wayne County Airport Authority, HealthChoice of Michigan, Greater Wayne County Economic Development Corporation and Wayne County-Detroit Community Development Entity, Inc., discretely-presented component units, which may have received federal awards that are not included in the Schedule for the year ended September 30, 2014, as the entities were separately audited.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the County's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

### 3. NON-CASH ASSISTANCE (FOOD DISTRIBUTION PROGRAM)

The Emergency Food Assistance Program (TEFAP) receives funding for administration of commodities. The administration funding is reported on the Schedule (CFDA No. 10.568) in the amount of \$199,530. The value of commodities received for TEFAP during the fiscal year was \$879,563 and is also reported in CFDA No. 10.568 for total expenditures of \$1,079,093.

### 4. HIGHWAY PLANNING AND CONSTRUCTION PROGRAM

The County participates in 28 federally funded separate road, street and bridge construction and repair projects, which are primarily administered by the Michigan Department of Transportation (MDOT). The projects, which are controlled by MDOT, are recorded in the County's general ledger and amounted to \$16,905,286 for the federally funded projects. The federal financial assistance administered directly by MDOT has not been included in the tests of compliance with laws and regulations associated with the County's Single Audit.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

### 5. SUBRECIPIENTS

The County administers certain federal awards programs through subrecipients. Those subrecipients are not considered part of the County's reporting entity. Of the federal expenditures presented in the Schedule, the County provided federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount Provided
WIC - Special Supplemental Food	10.557	\$ 1,075,947
Community Development Block Grant	14.218	5,987,906
Neighborhood Stabilization Program (NSP)	14.218	4,661,304
Home Investment Partnership	14.239	2,123,929
CDBG - BEDI Tech Town	14.246	405,274
CDBG - Tech Town Section 108	14.248	426,103
Justice Assistance Grant (JAG)	16.738	1,061,642
Justice Assistance Grant (JAG)	16.745	139,175
Congressionally Mandated Projects	66.202	1,233,208
Head Start	93.600	20,421,302
Homeland Security	97.067	285,544
		<u>\$ 37,821,334</u>

### 6. URBAN LOAN FUND (CFDA 11.307)

A federally-funded revolving loan subgrant was received by the County from the State of Michigan in 1992. Prior to the fiscal year ended September 30, 2010, the funds were administered by the Metropolitan Growth and Development Corporation (a not-for-profit component unit of the County). The funds are utilized to promote economic development for minority business and business in distressed communities. Under terms of the loan agreement, at least 75 percent of the funds in this program must be loaned or committed for loans. The amount of the expenditure reported in the Schedule is calculated based on the formula provided in the *OMB Circular A-133 Compliance Supplement* and is as follows:

(1) Balance of ULF loans outstanding at the end of the fiscal year:	\$ 724,140
(2) Cash and investment balance	471,069
(3) Administrative expenses paid out of ULF income	10,260
(4) Unpaid principal of all loans written off during the fiscal year	48,190
Sum of (1) through (4)	<u>1,253,659</u>
Federal share of the ULF	<u>100%</u>
Amount reported as expenditures on the SEFA	<u>\$ 1,253,659</u>

## CHARTER COUNTY OF WAYNE, MICHIGAN

### Notes to Schedule of Expenditures of Federal Awards

#### 7. REVISED SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The County previously submitted its single audit for the year ended September 30, 2014 to the Federal Audit Clearinghouse on June 29, 2015. Subsequent to that date, it was determined that the County had inadvertently omitted approximately \$7.8M of federal expenditures in State Revolving Funds (CFDA #66.458) received from the U.S. Environmental Protection Agency (passed through the Michigan Department of Environmental Quality). Upon discovery of this error, the County revised the Schedule, and engaged its independent auditors to test the additional major program.

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**INDEPENDENT AUDITORS' 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***

March 26, 2015

Honorable Members of the Wayne County Commission  
and the County Executive of the Charter County of Wayne  
Detroit, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *Charter County of Wayne, Michigan* (the "County"), as of and for the year ended September 30, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 26, 2015. Our report includes a reference to other auditors who audited the financial statements of the Wayne County Airport Authority, HealthChoice of Michigan, Greater Wayne County Economic Development Corporation, and Wayne County-Detroit Community Development Entity, Inc., as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County'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 determination of financial statement 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*.

#### **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 County'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.

A handwritten signature in black ink that reads "Lehmann Lohman LLC". The signature is written in a cursive, flowing style.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

September 25, 2015

Honorable Members of the Wayne County Commission  
and the County Executive of the Charter County of Wayne  
Detroit, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of the *Charter County of Wayne, Michigan* (the "County") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2014. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Wayne County Airport Authority, which received \$32,057,225 in federal awards, and which is not included in the schedule of expenditures of federal awards for the year ended September 30, 2014. Our audit, described below, did not include the operations of the Wayne County Airport Authority because it arranged for a separate audit in accordance with A-133.

The County's basic financial statements also include the operations of HealthChoice of Michigan, Greater Wayne County Economic Development Corporation and Wayne County-Detroit Community Development Entity, Inc., which may have received federal awards that are not included in the schedule of expenditures of federal awards for the year ended December 31, 2014, inasmuch as they arranged for separate financial statement audits and did not meet the criteria for a single audit in accordance with A-133, as expenditures of directly administered federal awards did not exceed \$500,000.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### *Independent Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and 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 above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

### *Basis for Qualified Opinion on the WIC and State Revolving Fund Programs*

As described in items 2014-001, 2014-007 and 2014-008 in the accompanying schedule of findings and questioned costs, the County did not comply with the allowable costs/cost principles requirement applicable to its WIC program and the reporting requirement applicable to its State Revolving Fund program. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to those programs.

### *Qualified Opinion on the WIC and State Revolving Fund Programs*

In our opinion, except for the noncompliance described above in the Basis for Qualified Opinion paragraph, the County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its WIC and State Revolving Fund programs for the year ended September 30, 2014.

### *Unmodified Opinion on Each of the Other Major Federal Programs*

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2014.

### *Other Matters*

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-001 through 2014-006. Our opinion on each major federal program is not modified with respect to these matters.

The County's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

### Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance 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 over compliance that we consider to be material weaknesses and other deficiencies 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 a combination of deficiencies, in internal control over compliance such that there is 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-001, 2014-003, 2014-005, 2014-006, 2014-007 and 2014-008 to be material weaknesses.

*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 deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2014-001, 2014-002 and 2014-004 to be significant deficiencies.

The County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

#### *Report Revision and Reissuance*

Subsequent to the original issuance of the 2014 report on Single Audit Act Compliance, it was determined that a certain program was omitted from the schedule of expenditures of federal awards and then that it should be classified and tested as a major federal program. Accordingly, after completing the appropriate audit procedures, the 2014 report on Single Audit Act Compliance is herewith revised to include that program on the schedule of expenditures of federal awards and to reflect the audit of that program. The only changes to this report, other than this paragraph and the date of this report, is to add approximately \$7.8 million to CFDA Number 66.458 on the schedule of expenditures of federal awards and to the list of major federal programs on page 17, to add Note 7 to the notes to the schedule of expenditures of federal awards, to add two findings (2014-007 and 2014-008 applicable to this previously omitted program) and to modify the paragraphs above regarding *opinion qualifications* to appropriately reference these added findings.

#### *Purpose of this Report*

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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2014

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes X no

Significant deficiency(ies) identified? \_\_\_\_\_ yes X none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes X no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified? X yes \_\_\_\_\_ no

Significant deficiency(ies) identified? X yes \_\_\_\_\_ none reported

Type of auditors' report issued on compliance for major programs: See opinion for each major program below

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? X yes \_\_\_\_\_ no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion</u>
10.557	Special Supplemental Food Program for Women, Infants and Children (WIC)	Qualified
14.218	Community Development Block Grant Entitlement Cluster	Unmodified
14.239	HOME Investment Partnership	Unmodified
20.205	Highway Planning and Construction	Unmodified
66.458	State Revolving Funds - System Improvement Program	Qualified
93.563	Title IV-D Child Support Enforcement	Unmodified
93.600	Head Start	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$ 3,000,000

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes X no

## CHARTER COUNTY OF WAYNE, MICHIGAN

### Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2014

### SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2014

### SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

#### 2014-001 - Allowable Costs/Cost Principles - Payroll Documentation

**Finding Type.** Material noncompliance; Material weakness in internal controls over compliance

**Federal program**

*Pass-through Michigan Department of Community Health -*

- Special Supplemental Nutrition Program for Women, Infants and Children (WIC) (CFDA# 10.557); Passed through the Michigan Department of Community Health; All project numbers

**Finding Type.** Immaterial noncompliance; Significant deficiency in internal controls over compliance

**Federal programs**

*Direct:*

- Community Development Block Grant (CDBG) (CFDA# 14.218); U.S. Department of Housing and Urban Development; Project numbers B-11-UN-26-0006 and B-13-UC-26-0003
- HOME Investment Partnership (CFDA# 14.239); U.S. Department of Housing and Urban Development; All project numbers
- Head Start (CFDA# 93.600); U.S. Department of Health and Human Services; All project numbers

**Criteria.** OMB Circular A-87 requires the County to support payroll charged to federal cost objectives with adequate documentation including personnel activity reports for employees that are either 100% charged to a single federal cost objective or who split their time between multiple cost objectives, or semi-annual payroll certifications for those charged to a single federal cost objective. Personnel activity reports must reflect an after-the-fact distribution of the actual activity of each employee, account for the total activity of each employee, and be prepared at least monthly to coincide with one or more pay periods. Budget estimates may be used for interim reporting, but they must be compared quarterly with actual results, and adjustments must be made accordingly.

**Condition.** The only individual sampled in the HOME program and the only two individuals sampled in the CDBG program had their time split and charged to the grant based on annual hour totals instead of at least a monthly allocation. Appropriate payroll documentation was not available for 11 employees charged to the WIC program. One out of the two individuals sampled from the Head Start program did not have time and effort documentation.

**Cause.** This appears to have been caused by a combination of the complex and manual payroll processes that is different for each department responsible for managing grants, and the payroll system not allowing for time to be split by cost objective.

**Effect.** As a result of this condition, the County does not have appropriate payroll support for 15 employees.

**Questioned Costs.** Known questioned costs of \$175,081 were identified for the WIC program. Control deficiencies were noted for CDBG, HOME and Head Start, but no questioned costs were identified.

**Recommendation.** We recommend that the County implement procedures that standardize the payroll reconciliation process to ensure payroll is recorded in the general ledger in accordance with A-87.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2014

### SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

#### 2014-001 - Allowable Costs/Cost Principles - Payroll Documentation (Continued)

View of Responsible Officials. The Community Development and HOME programs maintained personnel activity reports based on the period for which funds were drawn down which was longer than a one month period. Beginning July 2015 personnel activity reports will be prepared on a monthly basis. Beginning July 2015 the WIC program will begin using personnel activity reports. This will be performed through September 30, 2015. Beginning next fiscal year, the employees who work for the Wayne County Public Health Division, which includes the WIC program, will start using an electronic Access platform time and activity tracking program. This program allows for reports to be generated that will identify each staff person and the number of hours they worked in a month by project. The Head Start program currently utilizes semi-annual certifications to support time worked on the grants. Since there are now two Head Start grant programs, the certifications will be discontinued and beginning July 2015 personnel activity reports will be prepared for each pay period.



# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2014

### SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

#### 2014-002 - SEFA Preparation/Reporting - Urban Loan Fund (repeat comment)

**Finding Type.** Known Compliance Exception for Federal Program Not Audited as Major Program; Significant deficiency in internal controls over compliance

**Program.** Urban Loan Fund; U.S. Department of Commerce; CFDA Number 11.307; Award Number 06-19-01905.

**Criteria.** The expenditures reported on the schedule of expenditures of federal awards (SEFA) for the Urban Loan Fund should be calculated in accordance with specific criteria per the OMB Circular A-133 Compliance Supplement. Support must be retained for the amounts used in the calculation and any cash accounts should be recorded on the general ledger.

**Condition.** The County originally calculated the amount reported on the SEFA using current year activity in the fund rather than using the year-end balances as required by A-133. In addition, the County was unable to provide a bank statement detailing where the cash on-hand was located as of year-end. The cash balance was not recorded on the County's books as of September 30, 2014 (it was subsequently recorded effective October 1, 2014).

**Cause.** The County's error appears to be an oversight when compiling the year-end SEFA and completing required calculations. Bank statement support was unavailable due to the transfer of funds between banks close to year-end and the balance was not reflected on the County's general ledger.

**Effect.** The County's SEFA was originally understated by approximately \$979,000 and the County was unable to support the cash balance.

**Questioned Costs.** None.

**Recommendation.** We recommend the County verify that all grants are properly recorded on the SEFA and in the general ledger. Additionally, the County should maintain support for its year-end balances.

**View of Responsible Officials.** For the fiscal year ending September 30, 2015, the grants staff will exchange their Desk Review Monitoring folders for peer review. This will also benefit the necessity for cross training in case of staff turnover. The County is also in the preliminary stages of reviewing a software upgrade to its general ledger in which a grant software package is included. If this software is ultimately purchased it would reduce the likelihood of clerical errors.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2014

### SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

#### 2014-003 - Allowable Costs/Cost Principles - Sheriff Costs

**Finding Type.** Immaterial Noncompliance; Material weakness in internal controls over compliance

**Program.** Title IV-D Child Support Enforcement (CFDA# 93.563); U.S. Department of Health and Human Services; Passed through the Michigan Department of Human Services; All project numbers

**Criteria.** Per OMB Circular A-87, charges to grants should be for actual costs (not based on estimated, budgeted or projected amounts).

**Condition.** Various Sheriff department costs (primarily for personnel services) were charged to Friend of the Court business units based on budgeted rates determined at the beginning of the fiscal year. Four journal entries selected for testing had Sheriff costs being allocated based on budgeted rates. There was no quarterly or year-end reconciliation of actual costs to the amounts charged based on the budget.

**Cause.** This appears to be a result of the County using budgeted rates to allocate costs, but not completing reconciliation or year-end adjustment to the actual costs based on the support prepared.

**Effect.** As a result of this condition, the County failed to fully comply with the requirements of the Title IV-D Child Support Enforcement program, and was exposed to an increased risk of future noncompliance.

**Questioned Costs.** Known questioned costs identified during our testing were \$327,837.

**Recommendation.** We recommend that the County modify its method for charging Sheriff costs to the general ledger so that actual costs will be reflected in the business units without complex allocation adjustments. We also recommend that the County retain appropriate semi-annual certifications and personnel activity reports in accordance with A-87 for any payroll costs associated with these entries.

**View of Responsible Officials.** The Sheriff Department will no longer charge the Friend of the Court based on budgeted rates. The lack of a reconciliation at year end resulted in the overbilling of \$327,837. The Sheriff Department charges the Friend of the Court for two different services for which each is recorded in separate business units. In June of 2015 the charges have been consolidated into one business unit which is for the Friend of the Court, exclusively. The Sheriff Department maintains daily logs for each individual assigned to the Friend of the Court. These logs will be provided to the Friend of the Court monthly to support the actual billed costs incurred for the grant program.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2014

### SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

#### 2014-004 - Reporting

**Finding Type.** Immaterial Noncompliance; Significant deficiency in internal controls over compliance

**Federal program(s)**

*Direct:*

- Community Development Block Grant (CDBG) (CFDA# 14.218); U.S. Department of Housing and Urban Development; Project numbers B-09-UC-26-0003, B-10-UC-26-0003, B-11-UC-26-0003, B-12-UC-26-0003 and B-13-UC-26-0003.
- Head Start (CFDA# 93.600); U.S. Department of Health and Human Services; All project numbers

**Criteria.** Reports submitted should agree to the underlying general ledger detail and/or other supporting documentation.

**Condition.** The County was unable to provide a reconciliation of expenditures in the general ledger to the amounts reported on the Consolidated Annual Performance Report (CAPER) and the PR-03 report. Expenditures on the general ledger exceeded amounts reported by approximately \$288,000. Also, we were unable to reconcile the SF-425s for the CDBG program to the general ledger. Additionally, the County was unable to provide reconciliations of the SF-425 reports to the County's general ledger for the Head Start program. Differences reported throughout the year varied, and at year-end, actual expenditures per the general ledger exceeded amounts reported by approximately \$769,000.

**Cause.** The County does not currently perform a reconciliation of certain reports to the general ledger.

**Effect.** Amounts reported by the County to grantor agencies may not have been accurate representations of actual costs incurred.

**Questioned Costs.** None, inasmuch as the amounts reported did not result in drawing down federal funds in excess of allowable expenditures.

**Recommendation.** We recommend the County develop a process for reconciling the ledger to the grant reports submitted throughout the year.

**View of Responsible Officials.** The County Economic Development financial and program staff will reconcile the CAPER reporting to the general ledger prior to transmitting the report to the U. S. Department of Housing and Urban Development. Reconciliations of the federal form 425 will be performed by Head Start for the year ending September 30, 2015.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2014

### SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

#### 2014-005 - Procurement

**Finding Type.** Immaterial Noncompliance; Material weakness in internal controls over compliance

**Federal program(s)**

*Direct:*

- Community Development Block Grant (CDBG) (CFDA# 14.218); U.S. Department of Housing and Urban Development; Project numbers B-09-UC-26-0003, B-10-UC-26-0003, B-12-UC-26-0003, B-13-UC-26-0003, B-11-UN-26-0006
- HOME Investment Partnership (CFDA# 14.239); U.S. Department of Housing and Urban Development; All project numbers

**Criteria.** The County's purchasing policy states that some form of competitive bidding based upon adequate and complete specifications will be followed for all purchases projected to exceed \$50,000.

**Condition.** Two out of five contract files tested from the CDBG program and all three payees selected for the HOME program did not have the required bid documentation. While a written policy exists addressing this requirement, the County has not been enforcing it effectively.

**Cause.** The County does not have the proper internal controls in place to ensure that all contracts awarded have complied with the County's purchasing policy and federal requirements.

**Effect.** The County was not in compliance for five of its contracts, and is exposed to an increased risk that future noncompliance could occur and not be prevented or detected by the County's internal controls.

**Questioned Costs.** No costs have been questioned as a result of this finding.

**Recommendation.** We recommend that the County obtain bids for all required projects in accordance with its policy.

**View of Responsible Officials.** The Wayne County Community Development Division will request proposals for developers and subrecipients in accordance with the County's procurement policy.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2014

### SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

#### 2014-006 - Subrecipient Monitoring - During-the-Award Monitoring (repeat comment)

**Finding Type.** Immaterial Noncompliance; Material Weakness in Internal Controls over Compliance.

**Federal program(s)**

*Direct:*

- HOME Investment Partnership (CFDA# 14.239); U.S. Department of Housing and Urban Development; All project numbers

**Criteria.** Per OMB Circular A-133, the County should be monitoring its subrecipients' use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulation, and the provisions of contracts or grant agreements and that performance goals are achieved.

**Condition.** During our testing of subrecipient monitoring, we noted that the County did not complete any on-site visits for the 2012-13 HOME program.

**Cause.** The County did not have the staff time available to complete the on-site visits for the HOME program.

**Effect.** The County did not comply with grant requirements and is exposed to an increased risk that noncompliance at the subrecipient level could exist and go undetected.

**Questioned Costs.** None.

**Recommendation.** We recommend the County modify its procedures to ensure that a process is followed to select subrecipients for monitoring, complete on-site visits and retain all applicable checklists and documentation.

**View of Responsible Officials.** For the Home program the department began monitoring in February 2015. Monitoring will continue on a regularly scheduled basis. Also, the department's Community Development team holds quarterly meetings with the HOME subrecipients. This allows the department to go through requests for reimbursements, reimbursement questions and other technical assistance. Documentation is maintained with respect any recommendations.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2014

### SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

#### 2014-007 - Major Program Omitted From SEFA

**Finding Type.** Material Noncompliance; Material Weakness in Internal Controls over Compliance.

**Program.** State Revolving Funds - System Improvement Program (CFDA# 66.458); Environmental Protection Agency; Passed through the Michigan Department of Environmental Quality; All project numbers

**Criteria.** The County is required to report all federal expenditures on the schedule of expenditures of federal awards (SEFA).

**Condition.** Subsequent to the original issuance of the fiscal 2014 single audit report on June 29, 2015, the County was apprised by the pass-through entity that a set of programs under a single CFDA number totaling approximately \$7.8 million in federal expenditures were not included on the SEFA.

**Cause.** The normal approach for the County (to ensure that all expenditures of federal awards are included on the SEFA) is to reconcile federal revenues per the general ledger to the SEFA; however, for these State revolving fund projects, the accounting in an enterprise fund is to debit capital assets and credit long-term debt (i.e., no entries to federal revenue accounts). Departmental staff previously responsible for the "off ledger" tracking of the federal share of these projects had retired and replacement staff were unaware of the procedure.

**Effect.** The County's SEFA in the originally issued 2014 report was materially misstated by approximately \$7.8 million.

**Questioned Costs.** None.

**Recommendation.** In addition to the necessary entries to capital assets and debt, we recommend the County also post (as a duplicate but eliminating entry) the federal share of revolving fund receipts to a federal revenue account and an offsetting *contra* account. In this way, the normal reconciling procedures will detect the federal funds.

**View of Responsible Officials.** The Department of Management and Budget, Grants Administration Division will review all State Revolving Fund (SRF) loans to identify any federal funding. We have also confirmed with the State of Michigan loans outstanding in which we were reimbursed with federal funds to ensure that we have captured all federal transactions. In accordance with the recommendation we have established a federal revenue and a contra federal revenue account for each business unit in order to identify the federal funds provided for in SRF loans going forward.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## **Schedule of Findings and Questioned Costs**

For the Year Ended September 30, 2014

### **SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Concluded)**

#### **2014-008 - Cash Basis Reporting of Major Program**

**Finding Type.** Material Noncompliance; Material Weakness in Internal Controls over Compliance.

**Program.** State Revolving Funds - System Improvement Program (CFDA# 66.458); Environmental Protection Agency; Passed through the Michigan Department of Environmental Quality; All project numbers

**Criteria.** Expenditures of federal awards as reported in the SEFA, as well as the accounting for enterprise funds (where these particular projects were accounted for on the County's books), are required to be on the accrual basis of accounting.

**Condition.** The federal portion of project costs are determined by the pass-through entity at the time that such costs are reimbursed; as such, it is necessary for the County to submit its accrual basis costs at or near the fiscal year end in order to appropriately determine federal awards. The County has not done so on a timely basis.

**Cause.** Heretofore, the County has taken the position that a cash basis approach is adequate/acceptable, which it is not.

**Effect.** The accounting records and SEFA are not properly stated based on the prescribed basis of accounting.

**Questioned Costs.** None.

**Recommendation.** Projects costs as of fiscal year end should be properly reported to the pass-through entity as soon as practicable after year end in order to obtain both reimbursement and documentation of the federal share. This should then be appropriately recorded in the year end accounting records and SEFA.

**View of Responsible Officials.** Going forward, as part of the fiscal year-end closing process, Management and Budget will ask that departments drawdown on SRF loans as soon as practicable. Accruals will be made at September 30 to record the Receivable/Liability and the Revenue and Contra Account. This will alleviate the issue of cash basis activities not being recorded for fiscal year end.

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# CHARTER COUNTY OF WAYNE, MICHIGAN

## Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2014

### Finding 2013-001 - Property Tax Chargebacks

During the period from 2009 through 2013, there was an unprecedented number of taxpayers who filed appeals of their property valuation with the Michigan Tax Tribunal (MTT). When appeals resulted in a reduction of taxable value, the County Treasurer provided refunds to taxpayers for all millages levied by the taxing authorities that the Treasurer collects for. However, certain properties that received refunds were in tax increment financing (TIF) districts, meaning that a portion of the taxes on these properties would have been initially captured by the TIF and not received by the taxing authorities, thus the TIFs should have reimbursed the County for the amount of the refund that was initially captured. The County should have recorded a receivable, but did not.

This finding was adequately resolved.

### Finding 2013-002 - Conflict of Interest

The federal register states that grantees will maintain a written code of conduct governing the performance of their employees engaged in the award and administration of contracts. Additionally, no employee, officer, or agent of the grantee or subgrantee shall participate in selection of the award or administration supported by federal funds if a conflict of interest, real or apparent, would be involved. The HUD monitoring report, from fiscal year 2012, indicated that the County entered into a contract with an LLC (developer), in which a limited partner of the LLC was a member of the County's executive team at the time the contract was awarded. It also stated that the member of the executive team was related to a principal of the LLC at the time the contract was awarded. The project included the rehabilitation of a commercial building to be utilized by the State of Michigan Health and Human Services Building.

This finding was adequately resolved.

### Finding 2013-003 - Expenditure Deadline

The County was a direct recipient of CDBG-R funds, which were required to be expended by September 30, 2012 according to the requirements of Grant Number B-09-UY026-0003. The County failed to meet the expenditure deadline for the CDBG-R funds.

This finding was adequately resolved.

### Finding 2013-004 - Allowable Costs

The County and its subrecipients are required to expend HOME funds towards allowable costs as defined under 24 CFR Section 92.205. During the year the County approved and paid for certain costs incurred by a subrecipient and subsequently drew down on these costs from HUD. In the process of performing subrecipient monitoring activities, the County determined that a portion of the costs reimbursed to the subrecipient related to unallowable costs resulting in questioned costs. The County's preventive controls did not identify that the costs reimbursed to the subrecipient related to unallowable costs resulting in questioned costs. The County's subrecipient monitoring (detective controls) did identify the unallowable costs and the County subsequently has pursued the matter with the subrecipient, and as of the date of the report has a signed payment plan with the subrecipient.

This finding was adequately resolved.



# CHARTER COUNTY OF WAYNE, MICHIGAN

## Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2014

### Finding 2013-005 - FFATA Reporting

The County's Central Grants Management typically accumulates information needed to file FFATA reports from various program administrators. In the case of HOME and NSP3, which are all administered through the same department at the County, Central Grants Management was unable to obtain pass-through information required to complete the FFATA reports. The lack of information flow between the two departments resulted in the FFATA report not being filed.

This finding was adequately resolved.

### Finding 2013-006 - Suspension and Debarment

The required suspension and debarment certification was not received for one subaward tested that was effective beginning October 1, 2012 (prior to the time the finding was noted in the previous audit). In addition, the County did not receive the required suspension and debarment certifications for three other multi-year subawards that were effective beginning October 1, 2011 and still in effect for the year ended September 30, 2013. Internal control procedures over suspension and debarment requirements did not operate effectively, as required compliance requirements were not addressed and adequately documented. Inadequate monitoring of suspension and debarment could cause funds to be disbursed to vendors or subrecipients who are not eligible to have goods or services purchased with federal monies.

This finding was adequately resolved.

### Finding 2013-007 - Certification Policies and Procedures

7 CFR 246 subpart 2 requires a state agency to provide effective alternative policies and procedures when one employee performs all aspects of the WIC certification process. The State Policy 9.03 requires record audits to be performed within 30 days on 20 percent of records that occur under this scenario. The County did not have adequate internal control procedures over the performance of the required audits of WIC certification records when one individual on staff performed the entire WIC certification process prior to August 2013. As a result, the County was not in compliance with State of Michigan requirements.

This finding was adequately resolved.

### Finding 2013-008 - SEFA Preparation

The SEFA required adjustments related to expenditures and other transactions that occurred at year end, resulting in revisions to correct the SEFA. The expenditures presented on the SEFA for Home Investment Partnership Program (CFDA 14.239) and Edward Byrne Memorial Justice Assistance Grant Program (CFDA # 16.738) were adjusted by approximately \$645,580. The adjustment was made as a result of either expenditures that were not identified during year-end reconciliation or misidentification of subrecipient accruals. Internal control procedures over determining which expenditures should be reported on the SEFA did not operate effectively. This resulted in the County's schedule of expenditures of federal awards provided to the auditors being inaccurate on a program and total expenditure basis and a change in the major program determination.

This finding was not adequately resolved. See findings 2014-002, 2014-007 and 2014-008 in the current year Schedule of Findings and Questioned Costs.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2014

### Finding 2013-009 - Grant Funds Expenditure Threshold

Per the Neighborhood Stabilization Program (NSP) 3 bridge notice, there are no obligation deadlines, but grantees should expend 50 percent of the NSP3 award within two years of receiving the award. The County did not have adequate monitoring procedures in place to ensure that the NSP3 award was expended according to the recommended timeframe established in the bridge notice, which resulted in spending below the 50 percent threshold.

This finding was adequately resolved.

### Finding 2013-010 - Subrecipient Monitoring

USC 7502(1)(2)(B) requires that the County monitor its subrecipients' (delegate agencies) use of federal awards through site visits, limited scope audits, or other means. The County's subrecipient monitoring procedures did not effectively identify the misapplication of advance funding to expenses from a prior period, resulting in current year awards being utilized to supplement required delegate matching requirements.

This finding was not adequately resolved. See finding 2014-006 in the current year Schedule of Findings and Questioned Costs.

### Finding 2013-011 - SEFA Preparation and Subrecipient Monitoring

As required by OMB Circular A-133.210, entities that receive federal funds from a grantee should be evaluated by the grantee as to whether they are a vendor, developer, or subrecipient. At the time of passing through the awards, the County made sure that the agreements properly documented the recipient's responsibility based on whether the recipient was determined to be a subrecipient or developer. Subsequently, as the grant activity occurred, the distinction was not as clearly defined and as a result the expenditures on the SEFA required correction. The improper distinction could potentially impact adequacy of subrecipient monitoring; however, based on testing of the subrecipient monitoring process, there were no exceptions noted.

This finding was adequately resolved.

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