CHARTER COUNTY OF WAYNE, MICHIGAN

Year Ended September 30, 2016

Single Audit Act Compliance

Rehmann

Business wisdom delivered.

This page intentionally left blank.

CHARTER COUNTY OF WAYNE, MICHIGAN

Table of Contents

This page intentionally left blank.

Rehmann

Rehmann Robson

675 Robinson Rd.
Jackson, MI 49203
Ph: 517.787.6503
Fx: 517.788.8111
rehmann.com

INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

March 22, 217

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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 22, 2017, 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rehmann Robson LLC

This page intentionally left blank.

CHARTER COUNTY OF WAYNE, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Agriculture					
Special Supplemental Food - WIC	10.557	MDHHS	IW100342	$ 915,850	$ 3,451,720
Special Supplemental Food - WIC	10.557	MDHHS	IW500342	-	108,129
				915,850	3,559,849
Child Nutrition Cluster-					
Summer Food Service Program For Children	10.559	Direct	82SF04000	-	76,453
Urban and Community Forestry Program	10.675	Direct	12-DG11420004-013	-	38,103
Total U.S. Department of Agriculture				915,850	3,674,405
U.S. Department of Commerce					
Economic Development Cluster-					
Urban Loan Fund	11.307	MSHDA	06-19-01905	-	1,275,430
Investing in Manufacturing Community Partnership					
IMCP	11.307	Direct	06-79-05961/06-06-05961	-	155,823
				-	1,431,253
Habitat Conservation	11.463	Direct	NA11NMF4630146	-	6,931
Total U.S. Department of Commerce				-	1,438,184
U.S. Department of Housing and Urban Development					
Community Development Block Grant/Entitlement Grant Cluster:					
2011 Community Development Block Grant	14.218	Direct	B-11-UC-26-0003	8,984	8,984
2012 Community Development Block Grant	14.218	Direct	B-12-UC-26-0003	81,150	81,150
2013 Community Development Block Grant	14.218	Direct	B-13-UC-26-0003	1,156,686	1,160,847
2014 Community Development Block Grant	14.218	Direct	B-14-UC-26-0003	1,131,382	1,517,481
2015 Community Development Block Grant	14.218	Direct	B-15-UC-26-0003	1,363,849	2,011,413
Neighborhood Stabilization Program 3	14.218	Direct	B-11-UN-26-0006	60,000	60,000
				3,802,051	4,839,875
Emergency Shelter Grant Programs -					
McKinney Act for the Homeless	14.231	Direct	E-12-UC-26-0003	-	342,172
HOME Investment Partnerships Program	14.239	Direct	Various	1,297,317	1,787,805
Continuum of Care Program	14.267	Direct	MI0101L5F021305	-	115,242
Lead-Based Paint Hazard Control Grant	14.905	Direct	MILHD0164-07	-	812,987
Total U.S. Department of Housing and Urban Development				5,099,368	7,898,081
U.S. Department of Justice					
Crime Victim Assistance	16.575	MDHHS	2015-VA-GX-00XX	-	627,948
Crime Victim Assistance	16.575	MDHHS	20093-17V12	-	303,276
				-	931,224
Drug Court Discretionary Grant Program	16.585	COD	2014-DC-BX-0086	-	79,762
Grants to Encourage Arrest Policies & Enforcement					
of Protection Orders	16.590	Direct	2013-WE-AX-0043	-	205,064

continued...

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Justice (continued)					
State Criminal Alien Assistance Program	16.606	Direct	2013-AP-BX-0784	$ -	$ 99,345
JAG Cluster:					
Edward Byrne Memorial Justice Assistance Grant Programs:					
2012 Grant Year	16.738	Direct	2012-DJ-BX-0730	22,825	342,207
2013 Grant Year	16.738	Direct	2013-DJ-BX-0503	571,967	711,967
2014 Grant Year	16.738	Direct	2014-DJ-BX-0503	70,746	692,486
				665,538	1,746,660
Byrne Criminal Justice Innovation Program	16.817	DCC	2012-AJ-BX-0002	-	21,262
FY 15 BJA - Sexual Assault Kit Initiative	16.833	Direct	2015-AK-BX-K010	-	171,986
Total U.S. Department of Justice				665,538	3,255,303
U.S. Department of Transportation					
Highway Planning & Construction Cluster -					
Highway Planning and Construction	20.205	MDOT	*n/a*	-	1,557,636
Highway Safety Cluster -					
Safety Belt Enforcement Task Force	20.616	MSP	PT-16-18	-	81,257
Interagency Hazardous Materials Public Sector					
Training and Planning Grants	20.703	MSP	HM-HMP-0471-15-01-00	-	20,344
Total U.S. Department of Transportation				-	1,659,237
U.S. Environmental Protection Agency					
Great Lakes Restoration Initiative	66.469	Direct	GL - 00E01435	-	132,196
Capitalization Grants for Clean Water:					
State Revolving Funds	66.458	MDEQ	5430-02	-	71,290
State Revolving Funds	66.458	MDEQ	5402-01	-	407,642
State Revolving Funds	66.458	MDEQ	5419-01	-	4,758,296
				-	5,237,228
Capitalization Grants for Drinking Water -					
State Revolving Funds	66.468	MDEQ	FS975487-15	-	206
Beach Monitoring and Notification Program	66.472	Direct	CU00E99306	-	2,500
Brownfield Pilots Cooperative Agreements	66.818	Direct	BF97509402	-	449,910
Total U.S. Environmental Protection Agency				-	5,822,040
U.S. Department of Health and Human Services					
Aging Cluster:					
Nutrition Services	93.044	AAA	1C-CM-1C-HDM	-	165,312
Nutrition Services	93.045	AAA	1C-CM-01-2010	-	1,096,962
Nutrition Services	93.053	AAA	1C-CM-01-2010	-	565,165
				-	1,827,439

continued...

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Health and Human Services (continued)					
National Family Caregiver Support, Title III, Part E	93.052	AAA	1C-CM-1C-HDM	$ -	$ 78,713
Public Health Emergency Preparedness:					
Hospital Preparedness & Public Health	93.069	MDHHS	1649035-00	-	131,790
Bioterrorism Supplemntal	93.069	MDHHS	1649025-00	-	281,498
				-	413,288
Tuberculosis Control Program	93.116	MDHHS	1649365-00	-	55,675
Health Center Cluster:					
Federally Qualified Health Center (FQHC)	93.224	Direct	1H80CS24135-01-00	-	1,535,100
ACA - Health Center Program	93.527	Direct	3H80CS24135-03-14	-	224,149
				-	1,759,249
Substance Abuse and Mental Health Services	93.243	Direct	5H79T1025493-02	-	258,197
Immunization Grants:					
Billing Practice Infrastructure Enhancement	93.268	MDHHS	1649201-00	-	20,654
Infant Immunization Initiative	93.268	MDHHS	H23CCH522556	-	207,558
VFC Vaccines	93.268	MDHHS	*-n/a-*	-	899,806
				-	1,128,018
The Affordable Care Act - WNV	93.323	MDHHS	1U50CI000895	-	5,994
Affordable Care Act Maternal, Infant, and Early Childhood Home Visiting Program	93.505	MDHHS	1649017-00/1649101-00	-	228,270
ACA - Immunization Program	93.539	MDHHS	H23CCH522556	-	292,047
Title IV-D Child Support Enforcement:					
Friend of the Court and Prosecuting Attorney	93.563	MDHHS	CSCOM-13-82003-A2	-	17,364,629
Incentive Payments	93.563	MDHHS	CSCOMB-13-82003	-	2,718,104
				-	20,082,733
Access and Visitation Grant	93.597	SCAO	SCAO2016-025	-	45,315
Head Start Grants:					
Head Start (16-17 Grant)	93.600	Direct	05CH010389-01-00	195,968	821,806
Head Start (15-16 Grant)	93.600	Direct	05CH8257-17-01	16,174,517	18,085,659
Head Start Detroit (16-17 Grant)	93.600	Direct	05CH8299-05-00	921,578	962,899
Head Start Detroit (15-16 Grant)	93.600	Direct	05CH8299/04	917,498	971,509
Early Head Start (16-17 Grant)	93.600	Direct	05CH010389-01-00	-	29,225
Early Head Start (15-16 Grant)	93.600	Direct	05CH8257-17-01	772,712	798,463
				18,982,273	21,669,561
Title IV-E Foster Care	93.658	MDHHS	FIA/DHS 207A	-	114,035
Medicaid Cluster:					
Crippled Children	93.778	MDHHS	1649060-00/164065-	-	306,933
Medicaid Outreach & Advocacy	93.778	MDHHS	05U05M15ADM	-	10,453
					317,386

continued...

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Health and Human Services (continued)					
AIDS Counseling and Testing	93.940	MDHHS	1649170-00/1649185-00	$ -	$ 90,984
Preventive Health Services - Sexually Transmitted Disease	93.977	MDHHS	H25PS004333	-	106,970
Maternal and Child Health Services Block Grant:					
Direct Services Children	93.994	MDHHS	B1MIMCHS	-	123,429
Childhood Lead Poisoning Education and Outreach	93.994	MDHHS	B1MIMCHS	-	88,936
Childhood Lead Poisoning Intervention	93.994	MDHHS	B1MIMCHS	-	3,124
Childhood Lead Poisoning Prevention	93.994	MDHHS	B1MIMCHS	-	9,377
Childrens Special Health Care Services Outreach and Advocacy	93.994	MDHHS	B1MIMCHS	-	6,250
Enabling Services Children	93.994	MDHHS	B1MIMCHS	-	663,131
Enabling Services Women	93.994	MDHHS	B1MIMCHS	-	45,000
Immunization - Children	93.994	MDHHS	B1MIMCHS	-	47,559
				-	986,806
Total U.S. Department of Health and Human Services				18,982,273	49,460,680
U.S. Department of Homeland Security					
Boating Safety Financial Assistance	97.012	MDNR	*-n/a-*	-	86,375
Emergency Management Performance Grants	97.042	MSP	EMC-2016-EP-00001-S01	-	69,738
Homeland Security Grants:					
Homeland Security Grant Program	97.067	MSP	FY2014 HSGP-OPSG	49,330	51,926
Homeland Security Grant Program	97.067	MSP	*-n/a-*	-	67,918
Homeland Security Grant Program	97.067	MSP	*2014 HSGP*	98,423	697,699
Homeland Security Grant Program	97.067	MSP	*2015 HSGP*	-	130,374
				147,753	947,917
Total U.S. Department of Homeland Security				147,753	1,104,030
Total Expenditures of Federal Awards				$ 25,810,782	$ 74,311,960

concluded.

See notes to schedule of expenditures of federal awards.

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, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of 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 HealthChoice of Michigan, the Greater Wayne County Economic Development Corporation and the 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, 2016, 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

For purposes of charging indirect costs to federal awards, the County has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. HIGHWAY PLANNING AND CONSTRUCTION PROGRAM

The County participates in 27 federally-funded separate road, street and bridge construction and repair projects, which are 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 $11,349,643. 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 and is not included in the Schedule.

Notes to Schedule of Expenditures of Federal Awards

4. URBAN LOAN FUND (CFDA 11.307)

A federally-funded revolving loan subgrant was received by the County from the State of Michigan in 1992. Beginning with the year ended September 30, 2011, the County assumed the administration of these funds. 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 *Compliance Supplement* and is as follows:

(1) Balance of ULF loans outstanding at the end of the fiscal year:	$ 670,282
(2) Cash and investment balance	602,752
(3) Administrative expenses paid out of ULF income	-
(4) Unpaid principal of all loans written off during the fiscal year	2,396
Sum of (1) through (4)	1,275,430
Federal share of the ULF	100%
Amount reported as expenditures on the SEFA	$ 1,275,430

5. PASS-THROUGH AGENCIES

The County receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
AAA	Area Agency on Aging
COD	City of Detroit
DCC	Detroit Crime Commission
MSHDA	Michigan State Housing Development Authority
MDHHS	Michigan Department of Health and Human Services
MDOT	Michigan Department of Transportation
MDEQ	Michigan Department of Environmental Quality
MDNR	Michigan Department of Natural Resources
MSP	Michigan State Police
SCAO	State Court Administrative Office

■ ■ ■ ■ ■

Rehmann

Rehmann Robson

675 Robinson Rd.
Jackson, MI 49203
Ph: 517.787.6503
Fx: 517.788.8111
rehmann.com

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 22. 2017

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, 2016, 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 22. 2017. Our report includes a reference to other auditors who audited the financial statements of HealthChoice of Michigan, the Greater Wayne County Economic Development Corporation, and the 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. The financial statements of the Wayne County-Detroit Community Development Entity, Inc. were not audited in accordance with *Government Auditing Standards.*

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.

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2016-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2016-002 to be a significant deficiency.

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.*

Charter County of Wayne's Response to Findings

The County's responses to the 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 the financial statements and, accordingly, we express no opinion on them.

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.

Rehmann Robson LLC

Rehmann

Rehmann Robson

675 Robinson Rd.
Jackson, MI 49203
Ph: 517.787.6503
Fx: 517.788.8111
rehmann.com

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

March 22, 2017

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 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, 2016. 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 also include the operations of HealthChoice of Michigan, the Greater Wayne County Economic Development Corporation and the 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 September 30, 2016, inasmuch as they arranged for separate financial statement audits and did not meet the criteria for a single audit in accordance with the Uniform Guidance, as expenditures of directly administered federal awards did not exceed $750,000.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 program (CFDA 10.557)

As described in items 2016-005 and 2016-016 in the accompanying schedule of findings and questioned costs, the County did not comply with the Allowable Costs/Cost Principles and Subrecipient Monitoring requirements applicable to its WIC program. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

Qualified Opinion on the WIC program

In our opinion, except for the noncompliance described 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 program for the year ended September 30, 2016.

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, 2016.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-003, 2016-004, 2016-006, 2016-007, 2016-008, 2016-009, 2016-010, 2016-011, 2016-013, 2016-014, 2016-015, 2016-017 and 2016-018. 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 the Uniform Guidance, 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 2016-005 and 2016-016 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 2016-003, 2016-004, 2016-006, 2016-007, 2016-008, 2016-009, 2016-010, 2016-011, 2016-012, 2016-013, 2016-014, 2016-015, 2016-017 and 2016-018 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.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rehmann Robson LLC

This page intentionally left blank.

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified	
Internal control over financial reporting:		
Material weakness(es) identified?	X yes	no
Significant deficiency(ies) identified?	X yes	none reported
Noncompliance material to financial statements noted?	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 2 CFR 200.516 (a)?	X yes	no

Identification of major programs:

CFDA Number	Name of Federal Program or Cluster	Opinion
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
93.600	Head Start	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs:	$ 2,229,359	
Auditee qualified as low-risk auditee?	yes	X no

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS

2016-001 - Accounting for Capital Assets

Finding Type. Material weakness in internal control over financial reporting

Criteria. The County should maintain complete and accurate capital assets records. The records should be updated and reviewed for completeness and propriety by the County.

Condition. The County has a capital asset module as part of its accounting system to maintain and track capital asset activity, including additions, disposals and depreciation. The County has not effectively used the capital asset module nor monitored the activity to ensure the accuracy of the rollforward schedules and general ledger postings. Beginning balances did not agree to the prior year rollforward and current year activity for certain accounts did not agree to the general ledger, capital asset module detail, or other internally prepared schedules. In addition, the capital asset schedules were not initially prepared until early March (i.e. very late in the scheduled audit fieldwork) and were not subjected to an adequate review process by the Management and Budget department to ensure completeness or agreement to the general ledger.

Cause. There has been turnover at the County during the fiscal year and temporarily assigned individuals have had to learn how to use the capital asset module and prepare the schedules. Additionally, the capital asset module is cumbersome and does not interface well with the general ledger software.

Effect. An inordinate level of effort is required of County personnel and the auditors to arrive at materially supported capital asset balances, causing delays in audit completion.

Recommendation. We recommend that the County identify personnel whose responsibility is to maintain the capital asset records, review the capital asset activity and reconcile the activity among the various sources throughout the year.

View of Responsible Officials. Management agrees with the finding. The County's accounting system is out of date and is no longer supported by Oracle. The primary assigned staff member trained in the system during the past fiscal year left central Management & Budget and the back up was out on medical leave for months.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2016

SECTION II – FINANCIAL STATEMENT FINDINGS (Concluded)

2016-002 - Charter Reporting Requirement (repeat comment)

Finding Type. Significant deficiency in internal control over financial reporting

Criteria. The County's Charter requires audit report issuance within 120 days of fiscal year end (i.e., by January 28 of each year). The State requires audit report submission within six months of year end and the federal requirement (when a Single Audit is required) is generally nine months after year end.

Condition. The fiscal 2016 audit report (along with this separate Single Audit report) was issued within the State and federal deadlines, but not with the County Charter requirement. In fact, only once in the last ten years has the County issued its audit report within the 120-day requirement.

Cause. While the underlying causes are many and varied, we would attribute the primary causes to: (1) the need to establish and enforce a more aggressive year-end cutoff for expenditures and revenue determination; (2) new accounting software (the County is working on borrowed time with an antiquated system that is in danger of no longer being supported); and (3) the lack of a commitment from top management to establish and follow a plan for timely task completion related to the annual closeout and audit.

Effect. The County is not in compliance with its own Charter requirements and, more importantly than simple compliance, is deficient in terms of having timely financial information and has a dated accounting infrastructure that hinders the process.

Recommendation. We recommend that the County develop a plan to significant improve its accounting systems and processes that will lead to compliance with the Charter reporting requirement.

View of Responsible Officials. Management agrees with the finding. Due to staff reductions and turn over, within Management & Budget and to most Offices of Elected Officials, there is a lack of staff resources, experience, and understanding of processes. The accounting system itself is not supporting our financial reporting needs and is no longer supported by Oracle.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2016

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

2016-003 - Activities Allowed or Unallowed - Special Economic Projects

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

Program. Community Development Block Grant (CDBG) (CFDA# 14.218); U.S. Department of Housing and Urban Development; Project number B-14-UC-26-0003.

Criteria. Federal regulation 24 CFR 570.209 prohibits activities that provide CDBG assistance for special economic development projects in which the amount of assistance exceeds $50,000 per full-time equivalent, permanent job created or retained.

Condition. The County utilized CDBG funds for one special economic development activity in which it reimbursed a local business $200,000 for six full-time equivalent permanent jobs created or retained. One of the six full-time equivalent jobs exceeded the $50,000 limitation.

Cause. It appears to be an oversight by the County when reviewing the billing detail provided by the subrecipient for reimbursement.

Effect. The County provided reimbursements for special economic development activities for one individual for $87,388.

Questioned Costs. Total of $37,388 (which is the excess of the costs over $50,000).

Recommendation. We recommend that the County review its procedures for approving projects to verify that there is a supportable position for the costs.

View of Responsible Officials. Management agrees with this finding. One participant with a salary subsidy grant from County CDBG funds was provided more assistance than his income status should have allowed.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

2016-004 - Allowable Costs/Cost Principles – Payroll Documentation (repeat comment)

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

Programs:

Direct:

- Community Development Block Grant (CDBG) (CFDA# 14.218); U.S. Department of Housing and Urban Development; All project numbers.
- 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; Project number 05CH8257-17-01.

Pass-through Michigan Department of Health and Human Services -

- Special Supplemental Nutrition Program for Women, Infants and Children (WIC) (CFDA# 10.557); All project numbers.

Criteria. The Uniform Guidance requires the County to support payroll charged to federal cost objectives with adequate documentation in accordance with the County's payroll policies, which require personnel activity reports for employees who 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 bi-weekly to coincide with a pay period.

Condition. Appropriate payroll documentation was not available for one of the nine individuals sampled for the Head Start program. In addition, approval of the personnel activity report was not documented for one other individual in the Head Start program. We noted that payroll allocation documentation for one out of eight selections in the CDBG program and three out of seven in the HOME did not agree to what was charged to the program in the general ledger. In addition, overtime, holiday pay and shift premiums were not allocated and charged to the grants using the same percentages as regular time for WIC employees.

Cause. This appears to have been caused by a combination of the complex and manual payroll processes that are 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 six employees whose compensation was charged in whole or in part to federal awards. In addition, it is possible that amounts being allocated to WIC for overtime, holiday and shift premiums are not allocated in the same manner as the employees regular wages.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

2016-004 - Allowable Costs/Cost Principles – Payroll Documentation (Continued)

Questioned Costs. Known questioned costs of $2,745 (the payroll costs for Head Start included in the selection for which payroll documentation was not provided) were identified for the Head Start program. The exceptions for the WIC, CDBG and HOME programs did not result in likely questioned costs exceeding $25,000.

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 the Uniform Guidance, as applicable.

View of Responsible Officials. Management agrees with this finding. The referenced findings for CDBG and HOME relate to one employee whom often submitted Time Certifications after hours were already processed via Peoplesoft. As a result, if the Time Certification did not match the hours reported in Peoplesoft, management was unable to make corrections to reflect what was recorded on the Time Certification.

Current processes for WIC do not allow for overtime, holiday pay and shift premiums to be allocated the same as regular time. Management is currently devising a plan to accurately allocate these costs.

It will be the responsibility of the Reporting Manager for the Head Start program to review, approve and submit the Personnel Activity Report (PAR) or time certification in accordance with the Uniform Guidance.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2016

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

2016-005 - Allowable Costs/Cost Principles – WIC Subrecipient Costs (repeat comment)

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

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

Criteria. Per the Uniform Guidance, charges to grants should be for actual costs (not based on estimated, budgeted or projected amounts).

Condition. The County contracted with three subrecipients for the WIC grant under a per person fixed fee rather than a reimbursement basis for actual costs incurred. This payment method was similar to the prior year. While the County was not required by the pass-through entity to repay prior year questioned costs, the methods are still considered to be unallowable and subject to the management decision of the pass-through entity.

Cause. This issue was initially identified during the audit for the year ended September 30, 2015. Because the subrecipient contracts were already executed for the year ended September 30, 2016, the County was unable to make the modifications necessary to comply with this requirement.

Effect. As a result of this condition, the County billed for costs from subrecipients that were not calculated in compliance with the Uniform Guidance.

Questioned Costs. Total expenditures incurred for the WIC program that were paid based on the three fixed fee subrecipient contracts totaled $915,850.

Recommendation. The County has modified the contracts to reimburse the subrecipients based on actual costs beginning with the year ended September 30, 2017. While this action does not impact the current year questioned costs, no further corrective action is considered necessary for future contracts.

View of Responsible Officials. Management does not agree with this finding. The corrective action plan of revising the WIC program subrecipeint contracts were completed on Oct. 1, 2016. For the three subrecipients in question, documentation supporting the actual costs for providing WIC program services for fiscal year 2015 was provided to the State of Michigan for review. As a result of the review, the State did not require Wayne County to pay back any questioned costs. Documentation was also submitted to the State to support $887,280 of actual costs incurred by subrecipients in fiscal year 2016. As such, management agrees with only $28,570 of questioned costs.

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

2016-006 - Allowable Costs/Cost Principles - Mileage Reimbursements

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

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

Criteria. The Uniform Guidance requires the County to maintain documentation to support the costs charged to federal programs.

Condition. The County was unable to provide documentation to support three mileage reimbursement payments charged to the WIC program.

Cause. This appears to have been caused by the County's decentralized systems that led to the supporting documentation being misplaced.

Effect. As a result of this condition, the County lacks support for expenditures charged to Federal awards.

Questioned Costs. No costs were questioned as a result of this finding.

Recommendation. We recommend that the County implement procedures that standardize the mileage reimbursement process to ensure all forms are obtained and approved in accordance with the County's policy.

View of Responsible Officials. Management agrees with this finding. Due to staff working at multiple off-site locations, mileage forms were submitted to the WIC supervisor through multiple methods, resulting in the misplacement of some forms.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

2016-007 - Allowable Costs/Cost Principles - Pre-Award Costs

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

Program. Community Development Block Grant (CDBG) (CFDA# 14.218); U.S. Department of Housing and Urban Development; Project number B-15-UC-26-0003.

Criteria. Under the provisions of 24 CFR 570.200(h), prior to the effective date of the CDBG grant agreement, a recipient may authorize a subrecipient to incur costs, and then after the effective date of the grant agreement pay for those costs using its CDBG funds, provided that the CDBG payment will be made during a time no longer than the next two program years following the effective date of the grant agreement or amendment in which the activity was first included.

Condition. The County authorized one of its subrecipients to charge costs to the CDBG grant for the repayment of principal and interest. The County considered these costs to be pre-award costs; however, these payments were made well in excess of the next two program years following the effective date of the original grant agreement (the actual underlying capital expenditures were incurred over 20 years prior to payment).

Cause. The County appears to have inappropriately applied the provisions regarding pre-award costs.

Effect. The County inappropriately reimbursed one of its subrecipients for costs that were unallowable under federal regulations.

Questioned Costs. Total payments to subrecipients to reimburse expenditures for questioned principal and interest amounted to $96,210.

Recommendation. We recommend that the County review its agreements with subrecipients to ensure that costs for repayment of principal and interest are not reimbursed by the County and charged to federal grants.

View of Responsible Officials. Management does not agree with this finding. Section 570.200(h) of the Federal regulations allow for the reimbursement of pre-award costs, and therefore, this is an allowable cost. This practice has been in place since 1995, and previous Single Audits and HUD Reviews have never questioned the allowability of this cost. In addition, HUD has accepted the County's Annual Plan each year with this item included. HUD's guidance document "Basically CDBG," dated May 2014, specifically states that CDBG grantees and their subrecipients may incur costs prior to the effective date of the CDBG grant agreement with HUD. The grantee or subrecipient may then pay those costs after the effective date of the grant agreement, provided that it complies with the pre-award regulations at 24 CFR 570.200(h). This guidance also specifically uses bond issuance as an example of the flexibility of this provision, noting that using a portion of CDBG funding from subsequent program years to pay off local indebtedness without requesting the prior approval of HUD, is in fact an allowable activity.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2016

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

2016-008 - Allowable Costs/Cost Principles - Administration Allocation (repeat comment)

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

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

Criteria. Per the Uniform Guidance, charges to grants should be for actual costs (not based on estimated, budgeted or projected amounts).

Condition. WIC administrative costs (primarily for personnel services) were charged to the grant business units based on data from prior months, and it was never agreed to actual costs at year-end. Out of 26 journal entries selected for WIC, one had administration costs allocated based on prior month's costs. There was no quarterly or year-end reconciliation of actual costs to the amounts charged based on prior periods.

Cause. This appears to be a result of the County using prior period costs to allocate administrative overhead, and not completing a reconciliation or year-end adjustment to record expenses based on actual costs.

Effect. As a result of this condition, the County failed to fully comply with the requirements of the Uniform Guidance, and was exposed to an increased risk of future noncompliance.

Questioned Costs. Control deficiencies were noted for the WIC program, but no questioned costs were identified.

Recommendation. We recommend that the County modify its method for charging WIC administration costs to the general ledger so that actual costs will be reflected in the business units without complex allocation adjustments.

View of Responsible Officials. Management agrees with this finding. The salaries/fringes used for the DHCWS administrative cost allocation were not updated for the months in question. This was a management oversight, as DHCWS was under the impression salaries/fringe rates were updated on a monthly basis. It is also important to note that although outdated salaries were used for July, August and September of 2016, the overall change to the allocation percentages was immaterial.

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

2016-009 – Earmarking - Administrative Costs

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

Program. Community Development Block Grant (CDBG) (CFDA# 14.218); U.S. Department of Housing and Urban Development; Project number B-15-UC-26-0003.

Criteria. Per 24 CFR sections 570.205 and 570.206, not more than 20 percent of the total CDBG grant, plus 20 percent of program income received during a program year, may be obligated during the year for activities that qualify as planning and administration.

Condition. For the program year ended June 30, 2016, the County obligated 20.14% of activities that qualified as planning and administration.

Cause. This condition appears to be the result of an oversight by program management when calculating administrative costs.

Effect. Planning and administration costs exceeded allowable amounts by $7,357 for the program year ended June 30, 2016.

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

Recommendation. We recommend that the County modify its procedures to ensure that administrative costs limitations are reviewed and costs charged to the CDBG program are limited to the amounts allowed under federal guidelines.

View of Responsible Officials. Management agrees with this finding. The PR-26 Report was completed incorrectly, and as a result, administrative costs exceeded the allowable percentage cap of 20%.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2016

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

2016-010 – Period of Performance - Timely Liquidation of Costs

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

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

Criteria. The Uniform Guidance requires that a non-Federal entity charge to the Federal award only allowable costs incurred during the period of performance unless otherwise authorized by the Federal awarding agency. All obligations incurred during the period of performance must be liquidated within 90 days of the end of the period of performance.

Condition. The County accrued expenditures for reimbursements to subrecipients at September 30, 2015 that remained outstanding as of September 30, 2016. As a result, the expenditures were not liquidated within 90 days of the end of the period of performance.

Cause. The County's blanket purchase order and contract with one of its subrecipients was closed before payments could be made to the subrecipients for 2015 fiscal year expenditures. The contract and blanket purchase order were not amended and reopened until September 2016.

Effect. As a result, the County was reimbursed by federal grants for expenditures that it did not liquidate within a reasonable period of time.

Questioned Costs. Total expenditures identified during our procedures for the year ended September 30, 2015 that were not liquidated within 90 days amounted to $101,015.

Recommendation. We recommend that the County review and update its procedures to ensure timely approval of purchase orders for contracts charged to federal award programs.

View of Responsible Officials. Management agrees with this finding. The 2010 – 2015 SEMHA contract expired in September 2015, and was not renewed and fully executed until September 2016. As a result, unpaid expenses related to the 2010 – 2015 contract were not recorded and paid until the new contract was executed in September 2016.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2016

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

2016-011 – Suspension and Debarment (repeat comment)

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

Program: Community Development Block Grant (CDBG) (CFDA# 14.218); U.S. Department of Housing and Urban Development; Project number B-15-UC-26-0003.

Criteria. The County is required to determine if a vendor is suspended or debarred before entering into a contract.

Condition. The County was unable to provide documentation to support its consideration of suspension and debarment requirements for the only vendor in our selection.

Cause. The County does not have the proper internal controls in place to ensure that all contracts awarded have complied with federal requirements.

Effect. The County was not in compliance for one 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 document its compliance with the requirements of the Uniform Guidance.

View of Responsible Officials. The County did not have written documentation to support if the vendor was considered for suspension or debarment. Before the implementation of the Total Contract Management (TCM) system, the County had the option of verifying suspension and debarment via sam.gov. If verified via sam.gov, staff was not required to include a print screen of the verification in the file.

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

2016-012 - Reporting (repeat comment)

Finding Type. Significant deficiency in internal controls over compliance

Program. Head Start (CFDA# 93.600); U.S. Department of Health and Human Services; Project numbers 05CH8257-17-01 and 05CH8299/04.

Criteria. Financial Status Reports (FSR) should be reviewed and approved before submission.

Condition. Two of the four quarterly FSRs were not reviewed for the Head Start program.

Cause. It appears that the Head Start department had staff turnover which limited the number of individuals available to prepare the report.

Effect. Although the reports were prepared accurately, there is a risk that amounts reported by the County to grantor or pass-through entities may not be 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 require independent review of grant reports and the documentation of review be maintained as evidence of the review.

View of Responsible Officials. Management agrees with this finding. It will be the responsibility of the Director of Finance or Assistant Finance Director of HVCW to review and affix an approval signature on the quarterly Federal Financial Report (SF425) prepared by the Head Start Fiscal Manager, prior to submission to the Office of Head Start to maintain a system of internal control.

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

2016-013 - Reporting - Consolidated Annual Performance and Evaluation Report (CAPER)

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

Program. Community Development Block Grant (CDBG) (CFDA# 14.218); U.S. Department of Housing and Urban Development; Project number B-15-UC-26-0003.

Criteria. The CAPER is required to be prepared on a accrual basis to reflect all costs incurred within the program year.

Condition. The County's CAPER was reported on a cash basis and the reconciling items to bring the report in line with the accounting records were significant.

Cause. It appears that the County overlooked this requirement when completing the CAPER for the program year ended June 30, 2016.

Effect. Expenditures reported on the CAPER for the program year ended June 30, 2016 were overstated by $155,518.

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 modify its procedures for reporting amounts on the CAPER and ensure that all costs are included.

View of Responsible Officials. Management agrees with this finding. The County was unaware of the accrual functionality within the Integrated Disbursement and Information System (IDIS). As such, the CAPER did not include accruals for the current program year.

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

2016-014 - Reporting - Section 3 Form HUD 60002

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

Programs:

Direct -

- Community Development Block Grant (CDBG) (CFDA# 14.218); U.S. Department of Housing and Urban Development; Project numbers B-13-UC-26-0003 and B-14-UC-26-0003.
- HOME Investment Partnership (CFDA# 14.239); U.S. Department of Housing and Urban Development; Project numbers M-13-DC-26-0213 and M-14-DC-26-0213.

Criteria. The County is required to report certain information on HUD Form 60002 through the Section 3 Performance Evaluation and Registration System (SPEARS). This system was offline for several years; however, during the year ended September 30, 2016, it became available and grantees were required to submit information for the 2013 and 2014 program years.

Condition. The County did not submit the required reports for the 2013 and 2014 program years.

Cause. The County did not accumulate the information necessary to complete and submit the required reports to HUD on a timely basis.

Effect. The County did not complete all reports required for the CDBG and HOME programs.

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 modify its procedures for accumulating information so that the required reports can be completed and submitted in future years.

View of Responsible Officials. Management agrees with this finding. The County was unaware that SPEARS came online in May of 2016, and as a result, did not enter the information into the HUD reporting system.

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2016

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

2016-015 – Subrecipient Monitoring - Contract Requirements

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

Programs:

Direct:

- Community Development Block Grant (CDBG) (CFDA# 14.218); U.S. Department of Housing and Urban Development; All project numbers.
- HOME Investment Partnership (CFDA# 14.239); U.S. Department of Housing and Urban Development; All project numbers.

Pass-through Michigan Department of Health and Human Services -

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

Criteria. The County must clearly identify to a subrecipient the award as a subaward at the time of the subaward and identify all requirements imposed on the subrecipient so that the Federal award is used in accordance with Federal statutes, regulations and the terms and conditions of the award as stated in 2 CFR 200.331(a)(2).

Condition. The County failed to communicate required elements as described in the Uniform Guidance to all three subrecipients of the WIC program, to nine out of twelve subrecipients tested in the CDBG program, and one of the two subrecipients tested in the HOME program.

Cause. It appears the County did not have proper controls in place at the beginning of the fiscal year to identify these requirements and incorporate them into its contracts.

Effect. The County was not in compliance in communicating all elements required by the Uniform Guidance to certain subrecipients.

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

Recommendation. The County currently requires all of the elements to be in its contract. We recommend the contracts continue to be reviewed to ensure compliance.

View of Responsible Officials. WIC Management agrees with this finding. The subrecipient contracts were revised and executed on October 1, 2016, and one of the revisions included the addition of the required subrecipient disclosures per 2 CFR 200.331.

Community Development management agrees with this finding. Several CDBG and HOME Partnership subrecipient contracts were in process prior to the effective date of 2 CFR 200, but executed after the effective date of 2 CFR 200. As such, these contracts did not include the required subrecipient disclosures per 2 CFR 200.331.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2016

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

2016-016 - Subrecipient Monitoring – During-the-Award Monitoring (repeat comment)

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

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

Criteria. Per the Uniform Guidance, the County is required to monitor the activities of the subrecipients as necessary to ensure that the subaward is used for authorized purposes, complies with terms and conditions of the subaward, and achieves performance goals. Necessary monitoring procedures should be determined by evaluating each subrecipient's risk of noncompliance, which may include consideration of such factors as the subrecipient's prior experience with the same or similar subawards, results of previous audits, and personnel turnover. In addition to procedures identified as necessary based upon the evaluation of subrecipient risk or required by the terms and conditions of the award, subaward monitoring must include the following: reviewing financial and programmatic reports required by the pass-through entity, following-up and ensuring that subrecipient takes timely and appropriate action on all deficiencies, and issuing a management decision for audit findings pertaining to the Federal award.

Condition. Although the County showed improvement in completing on-site visits during the fiscal year for all three subrecipients for the WIC program, it did not monitor other certain elements covered in the Uniform Guidance Compliance Supplement such as procurement and equipment and real property management. In addition, the County evaluated one subrecipient as being low-risk despite the subrecipient not including the WIC grant on its SEFA in the previous year, and the County did not require this subrecipient to reissue its single audit with the WIC grant included (if included, the program would have been required to be audited as a major program).

Cause. Internal controls were not designed to identify high risk issues when completing risk assessments or to monitor all compliance requirements in accordance with the Uniform Guidance.

Effect. Monitoring procedures performed were not supported by the actual risk assessment documented by the County, and monitoring procedures did not include all significant compliance requirements. In addition, the County failed to require one of its subrecipients to modify its single audit that was materially deficient.

Questioned Costs. None.

Recommendation. We recommend the County modify its procedures to ensure that subrecipients are appropriately selected for monitoring, on-site visits are completed, and applicable checklists and other documentation are retained as evidence of this review. In addition, we recommend that the County require that a subrecipient obtain a single audit when it is determined during monitoring that it was not performed.

View of Responsible Officials. Management agrees with this finding. The risk assessments for WIC subrecipients were completed by program managers, and as a result, were evaluated based on compliance with program requirements, and not financial requirements. Going forward, the County will ensure that all elements of the risk assessment are rated appropriately.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2016

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Continued)

2016-017 - Subrecipient Monitoring – Risk Assessment and Monitoring (repeat comment)

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

Programs:

Direct -

- Community Development Block Grant (CDBG) (CFDA# 14.218); U.S. Department of Housing and Urban Development; Project number B-15-UC-26-0003.
- HOME Investment Partnership (CFDA# 14.239); U.S. Department of Housing and Urban Development; All project numbers.

Criteria. Per the Uniform Guidance Compliance Supplement, the County is required to risk assess and monitor its subrecipients.

Condition. Although the County showed marked improvement in completing on-site visits during the fiscal year for both the CDBG and HOME programs, we noted three instances in HOME and one instance in CDBG where the risk assessment documentation was not completed until after the fiscal year end. Additionally, one subrecipient for CDBG was not monitored on-site despite a high-risk determination by the County.

Cause. The cause of this condition appears to be oversight on the part of management.

Effect. The County's risk assessment did not translate to the monitoring procedures be performed, and monitoring was not done for one subrecipient considered high risk.

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

Recommendation. We recommend the County modify its procedures to ensure that subrecipients are appropriately selected for monitoring, on-site visits are completed, and applicable checklists and other documentation are retained as evidence of this review.

View of Responsible Officials. Management agrees with this finding. Three of 42 CDBG subrecipients and one of 11 HOME subrecipient risk assessments were not completed timely. In addition, one site monitoring was not completed for a high risk subrecipient.

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2016

SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Concluded)

2016-018 – Special Tests and Provisions - Housing Quality Standards

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

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

Criteria. Federal regulations require recipients of federal awards that provide HOME assisted rental housing to perform on-site inspections to determine compliance with property standards and verify the information submitted by the owners no less than (a) every 3 years for projects containing 1 to 4 units, (b) every 2 years for projects containing 5 to 25 units, and (c) every year for projects containing 26 or more units. The participating jurisdiction must perform on-site inspections of rental housing occupied by tenants receiving HOME-assisted tenant-based rental assistance to determine compliance with housing quality standards (24 CFR sections 92.209(i), 92.251(f), and 92.504(d)).

Condition. The County did not complete the required visits during the year.

Cause. The County lacked the proper staffing to complete the visits in addition to the extra subrecipient monitoring performed during the year.

Effect. Required inspection activities were not performed in the time frames required by the HOME program.

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

Recommendation. We recommend that the County maintain a schedule of the required visits and verify that the visits are being done when required, and that the County maintain evidence of compliance.

View of Responsible Officials. Management agrees with this finding. The County did not perform housing quality standards reviews for FY2015-2016 tenant based rental assistance units. The entire Community Development staff was required to perform CDBG and HOME Partnership Program compliance site monitoring on 98% of the County’s subrecipients for the first time in several years. Therefore, staffing was not adequate to perform the special tests and provisions as required by the Federal government.

■ ■ ■ ■ ■

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2016

2015-001 – Accounting for Capital Assets

The County has a capital asset module as part of its accounting system to maintain and track capital asset activity, including additions, disposals and depreciation. The County has not effectively used the capital asset module nor monitored the activity to ensure the accuracy of the rollforward schedules and general ledger postings. We noted that the beginning balances did not agree to the prior year rollforward along with a number of discrepancies between various asset, accumulated depreciation and depreciation expense accounts between the general ledger, rollforward schedules, module detail and internally prepared schedules. Additionally, the capital asset work papers for the audit were not prepared until very late in the audit process and when they were provided they had not been reviewed for completeness nor tied out appropriately to the trial balance. As such, we had to rework the schedules and fix various formulas to make the schedules usable.

This finding was not adequately resolved. See finding 2016-001 in the current year Schedule of Findings and Questioned Costs.

2015-002 - Material Audit Adjustments

The auditors identified and proposed various adjustments (which were approved and posted by management) that were material, either individually or in the aggregate to the County's financial statements.

This finding was adequately resolved.

2015-003 - Charter Reporting Requirement

The fiscal 2015 audit report (along with the separate Single Audit report) was issued within the State and federal deadlines, but not with the County Charter requirement. In fact, only once in the last ten years has the County issued its audit report within the 120-day requirement.

This finding was not adequately resolved. See finding 2016-002 in the current year Schedule of Findings and Questioned Costs.

2015-004 - Allowable Costs/Cost Principles – Payroll Documentation (repeat comment)

Appropriate payroll documentation was not available for all five of the individuals sampled for the Prosecutor's Office portion of the JAG grants, and one individual out of four selections for the Sheriff's Office portion. Four out of 17 selections in the WIC program had documentation of time allocated to the grant, however the amount charged to the program exceeded the supported percentage to be allocated to WIC. In addition, overtime, holiday pay and shift premiums were not allocated and charged to the grants using the same percentages as regular time for WIC employees.

This finding was not adequately resolved. See finding 2016-004 in the current year Schedule of Findings and Questioned Costs.

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2016

2015-005 - Allowable Costs/Cost Principles – WIC Subrecipient Costs

There were three subrecipients for the WIC grant for which fixed fees were billed to the County based on a per-person cost, which was not for actual costs incurred.

This finding was not adequately resolved. See finding 2016-005 in the current year Schedule of Findings and Questioned Costs.

2015-006 - Allowable Costs/Cost Principles – Administration Allocation

Various WIC and CDBG administrative costs (primarily for personnel services) were charged to the grant business units based on budgeted amounts determined at the beginning of the fiscal year. Four out of 17 journal entries selected for WIC, and two out of four selected for CDBG had administration costs allocated based on budgeted rates. There was no quarterly or year-end reconciliation of actual costs to the amounts charged based on the budget.

This finding was adequately resolved for the CDBG program, but not for the WIC program. See finding 2016-008 in the current year Schedule of Findings and Questioned Costs.

2015-007 – Written Policies Required by the Uniform Guidance

Although the County has processes in place to cover these areas, there are no formal written policies covering payments and allowability of costs.

This finding was adequately resolved.

2015-008 – Earmarking - Enrollment of Children with Disabilities

The County did not attain ten percent enrollment of children with disabilities and did not obtain a waiver from the U.S. Department of Health and Human Services.

This finding was adequately resolved.

2015-009 – Procurement (repeat comment)

The only contractor tested from the CDBG program, and the two contractors selected for the HOME program, did not have the required bid documentation.

This finding was not adequately resolved. See finding 2016-011 in the current year Schedule of Findings and Questioned Costs.

2015-010 - Reporting

Final FSRs were not reviewed for the Head Start program. FSRs for the WIC program did not have evidence of independent review.

This finding was not adequately resolved for the Head Start program. See finding 2016-012 in the current year Schedule of Findings and Questioned Costs.

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2016

2015-011 - Subrecipient Monitoring – During-the-Award Monitoring

Per the OMB Compliance Supplement, the County is required to monitor 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. Additionally, the County must ensure that subrecipients expending $500,000 or more in Federal awards during the year have met the audit requirements of OMB Circular A-133. The County is also required to follow-up on audit findings to verify the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the County should take appropriate action using sanctions.

This finding was not adequately resolved. See finding 2016-016 in the current year Schedule of Findings and Questioned Costs.

2015-012 - Subrecipient Monitoring – During-the-Award Monitoring and Ensuring Accountability of For-Profit Subrecipients

The County did not retain documentation of on-site visits to three of its subrecipients that are included in its action plan. There was one non-profit entity and one for-profit entity for which the County did not perform on-site monitoring.

This finding was not adequately resolved. See finding 2016-017 in the current year Schedule of Findings and Questioned Costs.

2015-013 - Subrecipient Monitoring – During-the-Award Monitoring (repeat comment)

One subrecipient out of five tested did not have a Single Audit although the County's payments to the organization were over $500,000 for the subrecipient's fiscal year.

This finding was adequately resolved.

2015-014 - Subrecipient Monitoring – During-the-Award Monitoring

The County did not complete on-site visits during the fiscal year for two of its subrecipients. In addition, one subrecipient did not have a Single Audit completed within nine months of its year end as required, and the County did not communicate with the subrecipient to monitor the status of the required audit.

This finding was adequately resolved.

2015-015 – Special Tests and Provisions - Wage Requirements

The County was able to provide certified payrolls to determine compliance with the wage requirements, but the County is not monitoring and reviewing the contractor's documentation for this requirement when payment is submitted for reimbursement.

This finding was adequately resolved.

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2016

2015-016 - Segregation of Costs

The Prosecutor's office does not maintain separate business units for its grants based on cost objectives.

Beginning October 1, 2015, new business units were initiated for all new and renewed federal grants. However, older grants that have not been renewed are still charged to the same business unit. Once the grants are renewed and a new business unit is assigned, a budget adjustment will be prepared to move the revenue and related expenditures to its respective business unit.