

Washtenaw
County



Year Ended
December 31,
2013

Single Audit Act
Compliance

Washtenaw County

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**Independent Auditors' Report on the Schedule of
Expenditures of Federal Awards Required by OMB Circular A-133**

March 21, 2014

Board of Commissioners
Washtenaw County
Ann Arbor, 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 *Washtenaw County, Michigan* (the "County"), as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated March 21, 2014. 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 County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Rehmann Robson LLC

Washtenaw County

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2013

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Agriculture				
Child Nutrition Cluster:				
School Breakfast Program	10.553	MDE	SM-4213-C	\$ 14,916
National School Lunch	10.555	MDE	SM-4213-C	54,178
Commodities (non-cash assistance)	10.555	MDE	-n/a-	3,461
Food Distribution - Senior Nutrition Program	10.555	AAA1-B	-n/a-	102,643
				<u>175,198</u>
Woman, Infants and Children	10.557	MDCH	IW100342	922,897
Woman, Infants and Children - Peer Counselor	10.557	MDCH	IW100342	106,471
				<u>1,029,368</u>
State Administration Matching Grants for the Supplemental Nutrition Assistance Program	10.561	MSF/WDA	-n/a-	136,284
Supplemental Nutrition Assistance Program	10.561	MDE	615431S	20,765
				<u>157,049</u>
Child and Adult Care Food Program	10.558	MDE	-n/a-	24,611
Summer Food Service Program for Children	10.559	MDE	-n/a-	81,858
				<u>81,858</u>
Total U.S. Department of Agriculture				<u>1,468,084</u>
U.S. Department of Housing and Urban Development				
Community Development Block Grant/Entitlement Grant Cluster:				
2009 Community Development Block Grant	14.218	Direct	-n/a-	17,632
2010 Community Development Block Grant	14.218	Direct	-n/a-	126,739
2011 Community Development Block Grant	14.218	Direct	-n/a-	852,781
2012 Community Development Block Grant	14.218	Direct	-n/a-	849,153
2013 Community Development Block Grant	14.218	Direct	-n/a-	137,784
Neighborhood Stabilization Program (NSP)	14.218	Direct	-n/a-	38,132
				<u>2,022,221</u>
Emergency Shelter Grants Program:				
2012 Emergency Shelter Grants Program	14.231	Direct	-n/a-	163,161
2013 Emergency Shelter Grants Program	14.231	Direct	-n/a-	54,080
				<u>217,241</u>
2012 Emergency Shelter Grants Program	14.231	MSHDA	HML-2012-0783-ESF	277,200
2013 Emergency Shelter Grants Program	14.231	MSHDA	HML-2013-0783-ESF	78,374
				<u>355,574</u>
Supportive Housing Program:				
2012 Supportive Housing Program	14.235	SOS	MI0214B5F091104	58,678
2013 Supportive Housing Program	14.235	SOS	MI0214L5091205	80,687
				<u>139,365</u>

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Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2013

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Housing and Urban Development (Concluded)				
Home Investment Partnership Program:				
2008 HOME Investment Partnerships Program	14.239	Direct	-n/a-	\$ 12,499
2009 HOME Investment Partnerships Program	14.239	Direct	-n/a-	74,992
2010 HOME Investment Partnerships Program	14.239	Direct	-n/a-	115,695
2011 HOME Investment Partnerships Program	14.239	Direct	-n/a-	414,774
2012 HOME Investment Partnerships Program	14.239	Direct	-n/a-	399,855
2013 HOME Investment Partnerships Program	14.239	Direct	-n/a-	228
				<u>1,018,043</u>
Community Challenge Planning Grant	14.704	Direct	CCPMI0057-11	<u>822,342</u>
Total U.S. Department of Housing and Urban Development				<u>4,574,786</u>
U.S. Department of Justice				
Juvenile Accountability Incentive Block Grants	16.523	MDHS	JAIBG-11-81001	<u>3,923</u>
2011-2016 Violence Against Women	16.590	Direct	2005-WE-AX-0036	<u>213,432</u>
ARRA - Byrne Justice Assistance Grant	16.738	Direct	2009-SB-B9-2028	3,668
ARRA - Byrne Justice Assistance Grant	16.738	Direct	2010-DJ-BX-1566	43,954
ARRA - Byrne Justice Assistance Grant	16.738	Direct	2011-DJ-BX-3062	15,635
				<u>63,257</u>
Total U.S. Department of Justice				<u>280,612</u>
U.S. Department of Labor				
Employment Service/Wagner-Peyser Funded Activities	17.207	MSF/WDA	-n/a-	<u>303,530</u>
RES/REA EUC Administration	17.225	MSF/WDA	-n/a-	<u>181,458</u>
Skilled Trade Training Fund	17.245	MSF/WDA	-n/a-	13
Trade Adjustment Assistance - Employer Based Training	17.245	MSF/WDA	-n/a-	92,000
Trade Adjustment Assistance - Survey Equipment	17.245	MSF/WDA	-n/a-	10,000
Trade Adjustment Assistance - 2002	17.245	MSF/WDA	-n/a-	93,835
Trade Adjustment Assistance - 2009/2011	17.245	MSF/WDA	-n/a-	152,308
				<u>348,156</u>
OJT - NEG	17.268	MSF/WDA	-n/a-	<u>22,054</u>
NEG Dislocated Worker Training	17.277	MSF/WDA	-n/a-	<u>20,774</u>
Rapid Response - JAC Ypsi	17.278	MSF/WDA	-n/a-	<u>4,112</u>

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Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2013

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Labor (Concluded)				
Workforce Investment Act Cluster:				
Adult	17.258	MSF/WDA	-n/a-	\$ 1,741,728
Youth	17.259	MSF/WDA	-n/a-	1,061,483
Dislocated Workers	17.278	MSF/WDA	-n/a-	660,904
				<u>3,464,115</u>
Total U.S. Department of Labor				<u>4,344,199</u>
U.S. Department of Transportation				
Drive Michigan Safely - Safe Communities	20.600	MOHSP	PT-10-31	<u>76,825</u>
U.S. Environmental Protection Agency				
Capitalization Grants for Clean Water State Revolving Funds:				
Allen Creek Miller Ave - Projects 5436.01	66.458	MDEQ	-n/a-	367,004
Allen Creek S. 4th Ave - Projects 5510.01	66.458	MDEQ	-n/a-	289,166
Allen Creek South Forest - Project 5512.01	66.458	MDEQ	-n/a-	116,130
Allen Creek Madison Ave - Project 5437.01	66.458	MDEQ	-n/a-	175,553
HRGI '13-14 Trees - Project 5504.02	66.458	MDEQ	-n/a-	10,425
Huron River Green Infrastructure - Project 5504.01	66.458	MDEQ	-n/a-	155,614
Traver Creek Leslie Park - Project 5516.01	66.458	MDEQ	-n/a-	505,560
Malletts Creek - Project 5464.01	66.458	MDEQ	9164.01	21,464
County Farm - Project 5469.01	66.458	MDEQ	9163.01	5,886
				<u>1,646,802</u>
State Grants to Reimburse Operators of Small Water Systems for Operator Certification	66.471	MDEQ	CT975861	<u>675</u>
State Grants to Reimburse Operators of Small Water Systems for Operator Assistance	66.471	MDEQ	CT975861	<u>1,411</u>
Performance Partnership Grants - Water Stewardship/Clean Sweep	66.605	MDA	791N2200018	<u>1,622</u>
Total U.S. Environmental Protection Agency				<u>1,650,510</u>
U.S. Department of Energy				
Energy Efficiency and Conservation Block Grant	81.128	Direct	-n/a-	<u>135,925</u>
ARRA - Weatherization Assistance for Low-Income Persons	81.042	MDHS	DOE-S-09-81029	180,859
Weatherization Assistance for Low-Income Persons	81.042	MDHS	DOE-12-81029	103,514
Weatherization Assistance for Low-Income Persons	81.042	MDHS	DOE-13-81029	23,089
				<u>307,462</u>
Total U.S. Department of Energy				<u>443,387</u>

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Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2013

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services				
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	AAA1-B	-n/a-	\$ 568,893
* FDA Tobacco Retailer (A&L) Inspections	93.058	MDCH	HHSF223201110085C	20,000
* Public Health Emergency Preparedness - Public Health Emergency Preparedness - Focus A	93.069	MDCH	CCU517018	169,916
* Projects for Assistance in Transition from Homelessness (PATH)	93.150	WCHO	20130320-00	154,019
Substance Abuse and Mental Health Services - * SAMHSA - Creating Health Home (PBHCI)	93.243	WCHO	5H79SM059567	274,771
* Immunization Cluster: Immunization Grants - Action Plan	93.268	MDCH	H23 CCH522556	138,258
Immunization Grants - Vaccines	93.268	MDCH	H23 CCH522556	118,868
				257,126
Child Support Enforcement:				
2012 Family Support Payments to States	93.563	MDHS	CSFOC13-81001	210,814
2013 Family Support Payments to States	93.563	MDHS	CSFOC13-81001	73,310
				284,124
2012 Friend of the Court	93.563	MDHS	CSFOC13-81001	2,212,584
2013 Friend of the Court	93.563	MDHS	CSFOC13-81001	747,372
				2,959,956
2012 Prosecuting Attorney	93.563	MDHS	CSPA13-81002	223,796
2013 Prosecuting Attorney	93.563	MDHS	CSPA13-81002	76,099
				299,895
Temporary Assistance for Needy Families	93.558	MDHS	-n/a-	828,838
Temporary Assistance for Needy Families - TRP	93.558	MDHS	-n/a-	150
				828,988
Low-Income Home Energy Assistance Program	93.568	MDHS	-n/a-	13,217
Low-Income Home Energy Assistance - Crisis Assistance	93.568	MDHS	-n/a-	10,721
				23,938
Community Services Block Grant	93.569	MDHS	-n/a-	568,619
* 2012 Grants to States for Access and Visitation Programs	93.597	SCAO	-n/a-	6,200
* 2013 Grants to States for Access and Visitation Programs	93.597	SCAO	-n/a-	3,100
				9,300

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Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2013

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (Concluded) 2012 Head Start	93.600	Direct	-n/a-	\$ 2,516,702
* Prosecuting Attorney Foster Care - Title IV-E	93.658	MDHS	PROFC-11-81001	49,820
* Connecting Kids to Coverage	93.767	CMS	-n/a-	14,041
* Medical Assistance Program:				
Child Special Health Care	93.778	MDCH	5XX05MI5048	99,370
Medicaid Outreach - Advocate	93.778	MDCH	5XX05MI5048	48,721
Medicaid Outreach	93.778	MDCH	5XX05MI5048	108,562
Medicaid Match - Administration	93.778	WCHO	20130548-00	889
Medicaid Match - Secure Access	93.778	WCHO	20130548-00	340
				<u>257,882</u>
* HIV Prevention Activities	93.940	MDCH	U62 CCU52346401	37,009
* Integrated Healthcare - Peer Vertical Wellness	93.958	WCHO	12B1MICMHS	47,213
* Parent Management Training Oregon (PMTO)	93.958	LCMH	12B1MICMHS	5,889
* Screening Brief Intervention and Referral for Treatment	93.959	WCHO	20130799	125,849
* Preventive Health and Health Services - Minority Health	93.991	MDCH	B1 MI PRVS	41,250
* Sexually Transmitted Disease (STD) Control	93.991	MDCH	B1 MI PRVS	18,710
* Maternal and Child Health Services Block Grant - Local Maternal and Child Health	93.994	MDCH	B1M1MCHS	106,158
Total U.S. Department of Health and Human Services				<u>9,640,068</u>
Corporation for National Community Service Foster Grandparent Program	94.011	Direct	-n/a-	289,039
Office of National Drug Control Policy High Intensity Drug Trafficking Area:				
2010 Management and Coordination Initiative	95.001	MDSP	G10SM0003A	437
2011 Management and Coordination Initiative	95.001	MDSP	G11SM0003A	10,730
2012 Management and Coordination Initiative	95.001	MDSP	G12SM0003A	760,027
2013 Management and Coordination Initiative	95.001	MDSP	G13SM0003A	160,290
Total Office of National Drug Control Policy				<u>931,484</u>

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Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2013

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Homeland Security Emergency Management Performance Grant	97.042	MDSP	EMW-2011-EP-00044-S01	\$ 81,850
Homeland Security Grant Program:				
2010 Homeland Security Grant Program	97.067	MDSP	2010 HSGP	(22,666)
2010 Homeland Security Grant Program	97.067	MDSP	2010 HSGP	463,269
2011 Homeland Security Grant Program	97.067	MDSP	2011 HSGP	469,274
2012 Homeland Security Grant Program	97.067	MDSP	2012 HSGP	168,685
				<u>1,078,562</u>
Emergency Food And Shelter Program	97.024	UWW	-n/a-	<u>315</u>
Total U.S. Department of Homeland Security				<u>1,160,727</u>
Total Expenditures of Federal Awards				<u>\$ 24,859,721</u>

See notes to schedule of expenditures of federal awards.

concluded.

* See Note 3.

Washtenaw County

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 Washtenaw County (the "County") under programs of the federal government for the year ended December 31, 2013. 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified 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. Negative amounts shown on the Schedule, if any, 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.

Expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been included and all grant requirements have been met.

3. FISCAL REPORTING

Certain departments and their grants are reported on a September 30 year-end basis; these are denoted on the Schedule with an asterisk (*).

Washtenaw County

Notes to Schedule of Expenditures of Federal Awards

4. PASS-THROUGH AGENCIES

The County receives certain federal awards as subgrants 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
AAA1-B	Area Agency on Aging 1-B
CMS	Centers for Medicare and Medicaid Service
LCMH	Livingston County Community Mental Health
MDA	Michigan Department of Agriculture
MDCH	Michigan Department of Community Health
MDE	Michigan Department of Education
MDEQ	Michigan Department of Environmental Quality
MDHS	Michigan Department of Human Services
MDSP	Michigan Department of State Police
MOHSP	Michigan Office of Highway Safety Planning
MSF/WDA	Michigan Strategic Fund/Workforce Development Agency
MSHDA	Michigan State Housing Development Authority
SCAO	State Court Administrative Office
SOS	SOS Community Services, Inc.
UWW	United Way Worldwide
WCHO	Washtenaw County Health Organization

Washtenaw County

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	Amounts Provided to Subrecipients
State Administration Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 110,499
Community Development Block Grant	14.218	783,355
Community Challenge Planning Grant	14.704	332,998
Emergency Shelter Grant (HUD)	14.231	172,341
Emergency Shelter Grant (MSHDA)	14.231	277,142
Violence Against Women	16.590	36,516
Employment Services/ Wagner-Peyser	17.207	218,473
Access and Visitation	93.597	9,300
Head Start	93.600	909,387
Suicide Prevention	93.243	29,942
Temporary Assistance for Needy Families	93.558	588,024
Workforce Investment Act	17.258, 17.259, 17.278	1,660,614
		<u>\$ 5,128,591</u>

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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 21, 2014

Board of Commissioners
Washtenaw County
Ann Arbor, Michigan

We have audited, in accordance with the 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, 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 *Washtenaw County, Michigan* (the "County"), as of and for the year ended December 31, 2013, 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 21, 2014. Our report includes a reference to other auditors who audited the financial statements of the Washtenaw County Road Commission 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.

Our consideration of internal control was for the limited purpose described in the first 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 certain deficiencies in internal control that we consider to be material weaknesses.

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 deficiencies described in the accompanying schedule of findings and questioned costs as 2013-FS-1 and 2013-FS-2 to be material weaknesses.

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.

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 an instance of noncompliance or an other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2013-SA-1.

County's Response to the 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 entity'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 Johnson LLC". The signature is written in a cursive, flowing style.

Independent Auditors' Report on Compliance For Each Major Program and on
Internal Control over Compliance by
OMB Circular A-133

March 21, 2014

Board of Commissioners
Washtenaw County
Ann Arbor, Michigan

Report on Compliance for Each Major Federal Program

We have audited *Washtenaw County, Michigan's* (the "County") compliance 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 December 31, 2013. 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 financial statements include the operations of the Washtenaw County Road Commission, which received \$10,063,732 in federal awards which is not included in the Schedule for the year ended December 31, 2013. Our audit described below, did not include the operations of the Road Commission because other auditors were engaged to perform an audit in accordance with OMB Circular A-133.

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.

Opinion on Each Major Federal Program

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 major federal programs for the year ended December 31, 2013.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2013-SA-1. Our opinion on each major federal program is not modified with respect to this matter.

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

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.

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 combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2013-SA-1 that we consider to be a significant deficiency.

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

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.

Rehmann Lobson LLC

Washtenaw County

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2013

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? yes X none reported

Noncompliance material to financial statements noted yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? X yes none reported

Type of auditors' report issued on compliance for major programs: Unmodified

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>
10.557	Special Supplemental Nutrition Program for Women Infants and Children
14.704	Community Challenge Planning Grants
17.258, 17.259 and 17.278	Workforce Investment Act Cluster
84.042	Weatherization Assistance for Low-Income Persons
95.001	High Intensity Drug Trafficking Area
93.069	Public Health Emergency Preparedness
93.563	Child Support Enforcement
93.558	Temporary Assistance for Needy Families
93.600	Head Start Program
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 745,792

Auditee qualified as low-risk auditee? yes X no

Washtenaw County

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

2013-FS-1 - Material Audit Adjustments and Prior Period Adjustment

Finding Type. Material weakness in internal controls over financial reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. During our audit, we identified and proposed several material adjustments (which were approved and posted by management) to adjust the County's general ledger to the appropriate balances. These adjustments are described as follows:

- A prior period adjustment to increase capital assets and net position to capitalize a vehicle acquired in prior years that was inadvertently excluded from the County's asset listing. Before the material audit adjustment, assets were understated by \$529,946, while net assets were understated by \$404,048 with the difference of \$125,898 posted to current year depreciation expense.
- An entry to increase special assessments receivable and decrease deferred inflows of resources in the water resource commissioner fund to properly record amounts invoiced and collected before year-end. Before this material audit adjustment, assets and deferred inflows of resources were overstated by approximately \$394,000 each.
- An entry to record an additional receivable and related payable and expense for Michigan Tax Tribunal decisions. Before this material audit adjustment, assets and expenses were understated by \$912,732 and \$94,231, respectively, while liabilities was understated by \$1,006,963.

Cause. This condition was the result of lapses in the County's internal controls.

Effect. As a result of this condition, the County's accounting records were initially misstated by amounts material to the financial statements.

Recommendation. The necessary adjustments have been made in the accounting records and appropriately presented in the financial statements. Accordingly, no further corrective action is required at this time.

View of Responsible Officials. We thank the auditors for their assistance with these adjustments. We work diligently each day during the year to keep the general ledger in balance and correct. We prepared over 3,000 journal entries during 2013 to accomplish this. While we strive for perfection, occasionally an adjustment is missed or a mistake is accidentally made. We knew about the first item mentioned above and asked for the auditor's assistance as to how to record it properly. The second item noted above was simply a mistake that was corrected as soon as it was pointed out to us. The third item above was not recognized as a December 2013 event but rather was processed as a 2014 transaction. We will modify our year-end procedures going forward to correct for this item. We believe our internal controls to be strong, however, they have been designed to provide reasonable, not absolute, assurance that transaction amounts are properly recorded and correctly stated. The concept of reasonable assurance implies a high degree of assurance, but is constrained by the cost of establishing such control procedures.

Washtenaw County

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)

2013-FS-2 - Preparation of the Schedule of Expenditures of Federal Awards

Finding Type. Material weakness in internal controls over financial reporting.

Criteria. OMB Circular A-133, §__.300, requires that the County “identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the federal agency, and name of the pass-through entity.” In addition, the County is required to “prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with §__.310.”

Condition. While management was able to provide us with a mostly complete schedule of expenditures of federal awards (SEFA) during our audit fieldwork, several significant adjustments were ultimately required, resulting in changes to the total federal awards expended, which in turn caused multiple reassessments of risk in determining and selecting major federal programs for testing.

Cause. As is the case with many County governments, Washtenaw County administers a vast array of federal and state grants throughout its many departments. The function of grant administration is highly decentralized.

Effect. The County’s SEFA preparation process did not detect significant variances in the originally reported federal expenditures, resulting in the amount of federal expenditures changing throughout the audit.

Recommendation. The County should review and improve its grants administration policies and procedures.

View of Responsible Officials. We provided the auditors with a first draft of the SEFA in early January to assist them with their Single Audit planning. This was done prior to our completion of many of the year-end revenue and expenditure accruals which could not be finished until all invoices received in January 2014 that pertained to 2013 business were identified. Because of this, most of the amounts listed in the first draft of the SEFA were estimates since the final amounts were not yet known. Nevertheless, we will look closely at our process for preparing the draft SEFA to see how our estimated amounts were arrived at and how we can improve our estimating methods so that the first draft of the SEFA (prepared in early January) and the final SEFA (completed in mid-to-late March) correspond much more closely to each other.

Washtenaw County

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2013

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2013-SA-1 - Semi-annual Certifications (Repeat Comment)

Finding Type. Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Cost Principles).

Program. Head Start Program; U.S. Department of Health and Human Services; CFDA Number 93.600. Homeland Security Grant Program; U.S. Department of Homeland Security; CFDA Number 97.067; Award Numbers 2010 HSPG and 2011 HSPG.

Criteria. Office of Management and Budget Circular No. A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, requires that when employees work on multiple activities, the distribution of their salaries or wages must be supported by personnel activity reports or a statistical sampling system that has been approved by the cognizant Federal agency. The Circular also provides that where employees are expected to work solely on a single federal award, charges for their salaries can be supported by at least semi-annual certifications indicating that they worked solely on that program for the period covered by the certification.

Condition. Semi-annual certifications were signed in advance for the Head Start program (not after-the-fact reporting as required by OMB Circular A-87). Also, a semi-annual certification was not completed for one employee charged to the Homeland Security grant program.

Cause. This condition appears to be the result of the department responsible for this particular grant award not being fully aware of this requirement.

Effect. This condition increases the risk that the County could report an incorrect amount for expenditures related to federal grant programs.

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

Recommendation. We recommend that the County implement procedures to appropriately document and support salaries and wages charged to grant programs.

View of Responsible Officials. It is the normal practice in County departments that administer federal grant programs to make sure that their employees track the time they spend on each federal grant or if working solely on one federal grant to sign a certification form twice per year stating that they worked only on that federal grant. We have provided written instructions to all departments receiving federal grants to provide clear direction as to how to properly track and account for the salary and fringe benefit costs for personnel working on federal grants and how to obtain the required certifications. Normally these procedures have been properly followed. Occasionally an employee is accidentally overlooked or a misunderstanding of the instructions occurs. We will meet during the second quarter of 2014 with fiscal staff who work on federal grants to review in detail the procedures that need to be followed and will also plan to provide to them the written instructions discussed above on an annual basis or whenever turnover in fiscal personnel takes place so that the occasional noncompliance can be avoided.



Washtenaw County

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2013

Finding 2012-SA-1 - Semi-annual Certifications - CFDA # 16.738 - Edward Byrne Memorial Justice Assistance Grant Program

The County failed to complete semi-annual certifications for employees who worked solely on a single federal award. Proper internal controls have been established and semi-annual certifications for this program have been completed. This finding has been repeated as finding 2013-SA-1.

2012-SA-2 - Reporting - Section 1512 Reports - CFDA # 16.738 - Edward Byrne Memorial Justice Assistance Grant Program

The County did not submit the 3rd quarter section 1512 report with in the required time frame as required by the American Recovery and Reinvestment Act. Proper internal controls have been established and the required Section 1512 reports are being completed on a timely basis. This finding has been adequately resolved.

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