

Washtenaw
County



Year Ended
December 31,
2014

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 24, 2015

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, 2014, and the related notes to the financial statements, which collectively comprise the basic financial statements, and have issued our report thereon dated March 24, 2015. 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, 2014

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Agriculture				
Child Nutrition Cluster-				
Food Distribution - Senior Nutrition Program	10.555	AAA1-B	-n/a-	\$ 144,367
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-	123,785
Michigan Nutrition Network - Advisory	10.561	MDCH	615431S	28,070
				<u>151,855</u>
Child and Adult Care Food Program	10.558	MDE	-n/a-	40,553
Total U.S. Department of Agriculture				<u>1,366,143</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-	14,000
2010 Community Development Block Grant	14.218	Direct	-n/a-	26,920
2011 Community Development Block Grant	14.218	Direct	-n/a-	182,238
2012 Community Development Block Grant	14.218	Direct	-n/a-	523,377
2013 Community Development Block Grant	14.218	Direct	-n/a-	562,199
2014 Community Development Block Grant	14.218	Direct	-n/a-	187,454
				<u>1,496,188</u>
Emergency Shelter Grants Program:				
2011 Emergency Shelter Grants Program	14.231	Direct	-n/a-	54,598
2013 Emergency Shelter Grants Program	14.231	Direct	-n/a-	91,231
2014 Emergency Shelter Grants Program	14.231	Direct	-n/a-	36,782
				<u>182,611</u>
2013 Emergency Shelter Grants Program	14.231	MSHDA	HML-2013-0783-ESF	196,418
2014 Emergency Shelter Grants Program	14.231	MSHDA	HML-2014-0783-ESF	77,982
				<u>274,400</u>
Supportive Housing Program:				
2013 Supportive Housing Program	14.235	SOS	MI0213L5091204	55,561
2014 Supportive Housing Program	14.235	AAHC	MI0214L5091205	33,728
				<u>89,289</u>

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Washtenaw County

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2014

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-	\$ 3,375
2009 HOME Investment Partnerships Program	14.239	Direct	-n/a-	3,996
2010 HOME Investment Partnerships Program	14.239	Direct	-n/a-	(311,596)
2011 HOME Investment Partnerships Program	14.239	Direct	-n/a-	181,939
2012 HOME Investment Partnerships Program	14.239	Direct	-n/a-	123,867
2013 HOME Investment Partnerships Program	14.239	Direct	-n/a-	287,432
2014 HOME Investment Partnerships Program	14.239	Direct	-n/a-	41,301
				<u>330,314</u>
Community Challenge Planning Grant	14.704	Direct	CCPMI0057-11	<u>1,856,764</u>
Continuum of Care Planning Grant:				
2013 Continuum of Care Planning Grant	14.267	Direct	-n/a-	50,231
2014 Continuum of Care Planning Grant	14.267	Direct	-n/a-	13,979
				<u>64,210</u>
Total U.S. Department of Housing and Urban Development				<u>4,293,776</u>
U.S. Department of Justice				
2011-2016 Violence Against Women	16.590	Direct	2005-WE-AX-0036	<u>208,146</u>
ARRA - Byrne Justice Assistance Grant	16.738	Direct	2011-DJ-BX-3062	(27,218)
ARRA - Byrne Justice Assistance Grant	16.738	Direct	2012-DJ-BX-0690	26,952
ARRA - Byrne Justice Assistance Grant	16.738	Direct	2013-DJ-BX-0667	7,005
				<u>6,739</u>
Total U.S. Department of Justice				<u>214,885</u>
U.S. Department of Labor				
Employment Service/Wagner-Peyser Funded Activities	17.207	MSF/WDA	-n/a-	<u>527,993</u>
RES/REA EUC Administration	17.225	MSF/WDA	-n/a-	<u>(4,757)</u>
Trade Adjustment Assistance - 2002	17.245	MSF/WDA	-n/a-	92,008
Trade Adjustment Assistance - 2009/2011	17.245	MSF/WDA	-n/a-	148,003
Trade Adjustment Assistance - Reversion 2014	17.245	MSF/WDA	-n/a-	489
Trade Adjustment Assistance - Case Management	17.245	MSF/WDA	-n/a-	106,278
				<u>346,778</u>
OJT - NEG	17.268	SCMWA	-n/a-	<u>119</u>
NEG Dislocated Worker Training	17.277	MSF/WDA	-n/a-	<u>16,112</u>

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Washtenaw County

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2014

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-	\$ 741,938
Youth	17.259	MSF/WDA	-n/a-	1,525,544
Dislocated Workers	17.278	MSF/WDA	-n/a-	669,852
				<u>2,937,334</u>
Total U.S. Department of Labor				<u>3,823,579</u>
U.S. Department of Transportation				
Drive Michigan Safely - Safe Communities	20.600	MOHSP	PT-14 -11	56,517
Drive Michigan Safely - Safe Communities - Underage	20.600	MOHSP	AL-14-16	2,220
				<u>58,737</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-	404,163
Allen Creek S. 4th Ave - Projects 5510.01	66.458	MDEQ	-n/a-	2,761
Allen Creek South Forest - Project 5512.01	66.458	MDEQ	-n/a-	235,689
HRGI 2013 Trees - Project 5504-03	66.458	MDEQ	-n/a-	320,889
MC Springwater Sub - Const - Project 5508-01	66.458	MDEQ	-n/a-	457,880
Allen Creek Madison Ave - Project 5437.01	66.458	MDEQ	-n/a-	4,010
HRGI '13-14 Trees - Project 5504.02	66.458	MDEQ	-n/a-	152,351
Huron River Green Infrastructure - Project 5504.01	66.458	MDEQ	-n/a-	2,364
Traver Creek Leslie Park - Project 5516.01	66.458	MDEQ	-n/a-	5,973
Malletts Stream Stabilization - Project 5464.01	66.458	MDEQ	-n/a-	26,768
Allen Cistern - Project 5470.01 & 5470.02	66.458	MDEQ	-n/a-	9,360
Malletts Creek - Project 5464.01	66.458	MDEQ	9164.01	517
County Farm - Project 5469.01	66.458	MDEQ	9163.01	14,472
				<u>1,637,197</u>
Nonpoint Source Implementation Grant (Rain Garden Univ)	66.460	MDEQ	C9975474-14	8,994
State Grants to Reimburse Operators of Small Water Systems for Operator Assistance	66.468	MDEQ	CT975861	1,630
Performance Partnership Grants - Water Stewardship/Clean Sweep	66.605	MDA	791N2200018	17,433
Total U.S. Environmental Protection Agency				<u>1,665,254</u>
U.S. Department of Energy				
Weatherization Assistance for Low-Income Persons	81.042	MDHS	DOE-12-81029	7,108
Weatherization Assistance for Low-Income Persons	81.042	MDHS	DOE-13-81029	200,601
Weatherization Assistance for Low-Income Persons	81.042	MDHS	DOE-13-81029-2	57,378
				<u>265,087</u>

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Washtenaw County

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2014

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-	\$ 628,176
* FDA Tobacco Retailer (A&L) Inspections	93.058	MDCH	HHSF223201110085C	16,028
* Public Health Emergency Preparedness - Public Health Emergency Preparedness - Focus A	93.069	MDCH	U90TP000528	159,160
* Project Grants and Cooperative Agreements for TB Control Tuberculosis Control Program and Aids	93.116	MDCH	U52 CCU500499	21,925
* Projects for Assistance in Transition from Homelessness (PATH)	93.150	WCHO	20130320-00	144,139
* Substance Abuse and Mental Health Services - SAMHSA - Creating Health Home (PBHCI)	93.243	WCHO	5H79SM059567	502,474
* Immunization Cluster: Immunization Grants - Action Plan	93.268	MDCH	H23 CCH522556	148,607
Immunization Grants - Vaccines	93.268	MDCH	H23 CCH522556	106,750
				255,357
* Affordable Care Act: Building EPI, Lab, Health Info Systems Affordable Care Act Building EPI, Lab (West Nile)	93.521	MDCH	1U50CI000895	4,522
Child Support Enforcement: 2013 Family Support Payments to States	93.563	MDHS	CSFOC13-81001	229,806
2014 Family Support Payments to States	93.563	MDHS	CSFOC14-81001	74,343
				304,149
2013 Friend of the Court	93.563	MDHS	CSFOC13-81001	2,335,044
2014 Friend of the Court	93.563	MDHS	CSFOC14-81001	838,261
				3,173,305
2013 Prosecuting Attorney	93.563	MDHS	CSPA13-81002	236,889
2014 Prosecuting Attorney	93.563	MDHS	CSPA14-81002	94,025
				330,914
Temporary Assistance for Needy Families	93.558	MSF/WDA	-n/a-	1,025,470
Temporary Assistance for Needy Families - TRP	93.558	MSF/WDA	-n/a-	6,742
Temporary Assistance for Needy Families - Supportive Svcs	93.558	MSF/WDA	-n/a-	45,000
				1,077,212
Refugee Assistance Program (RAP) Health Assessment Services for Refugees	93.566	MDHS	RAHS13-81001	55,367

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Washtenaw County

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2014

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (Concluded)				
Low-Income Home Energy Assistance Program	93.568	MDHS	-n/a-	\$ 172,437
2012 Community Services Block Grant	93.569	MDHS	-n/a-	(821)
2012 Community Services Block Grant	93.569	MDHS	-n/a-	487,878
2012 Community Services Block Grant	93.569	MDHS	-n/a-	61,194
2013 Community Services Block Grant - Discretionary	93.569	MDHS	-n/a-	39,458
2013 Community Services Block Grant - Discretionary	93.569	MDHS	-n/a-	9,500
				<u>597,209</u>
* 2013 Grants to States for Access and Visitation Programs	93.597	SCAO	-n/a-	480
* 2014 Grants to States for Access and Visitation Programs	93.597	SCAO	-n/a-	1,020
				<u>1,500</u>
Connecting Kids to Coverage-				
* Coverage Counts: Connecting Teens, Immigrant and Homeless to Insurance	93.767	CMS	1ZOCMS331207-01-01	<u>276,909</u>
* Medical Assistance Program:				
Child Special Health Care	93.778	MDCH	05 U05M15ADM	108,944
Medicaid Outreach - Advocate	93.778	MDCH	05 U05M15ADM	51,817
Medicaid Outreach	93.778	MDCH	05 U05M15ADM	105,166
Medicaid Match - Administration	93.778	WCHO	20130548-00	4,314
Medicaid Match - Secure Access	93.778	WCHO	20130548-00	14,251
Medicaid Match - Disseminating Evidence	93.778	WCHO	20130548-00	4,823
Medicaid Match - Integrated Health - Child	93.778	WCHO	20130548-00	1,276
				<u>290,591</u>
HIV Prevention Project:				
* HIV Prevention Activities	93.940	MDCH	U62 PS003671	<u>71,261</u>
Assistance Programs for Chronic Disease Prevention and Control (SNAP-ED)	93.945	MDCH	1U58DP004814	<u>10,000</u>
* Integrated Health	93.958	WCHO	12B1MICMHS	<u>32,500</u>
* Parent Management Training Oregon (PMTO)	93.958	LCMH	12B1MICMHS	<u>22,463</u>
* Screening Brief Intervention and Referral for Treatment	93.959	WCHO	20130799	<u>50,422</u>
* Preventive Health and Health Services - Minority Health	93.991	MDCH	B1 MI PRVS	<u>8,125</u>
* State Participating Program to Improve Minority Health	93.296	MDCH	1STTMP131098	<u>5,719</u>
* Sexually Transmitted Disease (STD) Control	93.991	MDCH	B1 MI PRVS	<u>14,032</u>
* Maternal and Child Health Services Block Grant - Local Maternal and Child Health	93.994	MDCH	B1M1MCHS	<u>106,158</u>
Total U.S. Department of Health and Human Services				<u><u>8,332,054</u></u>

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Washtenaw County

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2014

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
Corporation for National Community Service				
Foster Grandparent Program	94.011	Direct	-n/a-	\$ (1,211)
Foster Grandparent Program	94.011	Direct	-n/a-	287,828
				<u>286,617</u>
Office of National Drug Control Policy				
High Intensity Drug Trafficking Area:				
2013 Management and Coordination Initiative	95.001	MDSP	G13SM0003A	908,056
2014 Management and Coordination Initiative	95.001	MDSP	G14SM0003A	93,163
				<u>1,001,219</u>
Total Office of National Drug Control Policy				
U.S. Department of Homeland Security				
Emergency Management Performance Grant	97.042	MDSP	EMW-2011-EP-00044-S01	<u>78,687</u>
Homeland Security Grant Program:				
2010 Homeland Security Grant Program	97.067	MDSP	2010 HSGP	(3,739)
2011 Homeland Security Grant Program	97.067	MDSP	2010 HSGP	358,941
2012 Homeland Security Grant Program	97.067	MDSP	2011 HSGP	140,933
2013 Homeland Security Grant Program	97.067	MDSP	2012 HSGP	244,639
				<u>740,774</u>
Emergency Food And Shelter Program	97.024	UWW	-n/a-	3,128
Emergency Food And Shelter Program	97.024	UWW	-n/a-	504
				<u>3,632</u>
Total U.S. Department of Homeland Security				<u>823,093</u>
Total Expenditures of Federal Awards				<u>\$ 22,130,444</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, Michigan (the "County") under programs of the federal government for the year ended December 31, 2014. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets or cash flows of the County.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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 (*).

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
AAHC	Ann Arbor Housing Commission
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

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Washtenaw County

Notes to Schedule of Expenditures of Federal Awards

Pass-through Agency Abbreviation	Pass-through Agency Name
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
SCMWA	South Central Michigan Works Agency
SOS	SOS Community Services, Inc.
UWW	United Way Worldwide
WCHO	Washtenaw County Health Organization

concluded.

5. SUBRECIPIENTS

The County administers certain federal awards 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	\$ 69,344
Community Development Block Grant	14.218	599,786
Community Challenge Planning Grant	14.704	804,012
Emergency Shelter Grant (HUD)	14.231	170,639
Emergency Shelter Grant (MSHDA)	14.231	194,035
HOME Investment Partnership Program	14.239	231,916
Violence Against Women	16.590	31,993
Employment Services/ Wagner-Peyser	17.207	366,065
Access and Visitation	93.597	1,500
Suicide Prevention	93.243	29,942
Special Programs for the Aging		
Title III, Part C - Nutrition Services and Food and Distribution - Senior Nutrition Program	93.045, 10.555	144,283
Temporary Assistance for Needy Families	93.558	526,211
Workforce Investment Act	17.258, 17.259, 17.278	1,729,964
		<u>\$ 4,899,690</u>



**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 24, 2015

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, 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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 24, 2015. 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 items 2014-001 and -002 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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.

Rehmann Johnson LLC

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

March 24, 2015

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, 2014. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. The County's 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, 2014. 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, 2014.

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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.



Washtenaw County

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2014

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Federal Awards

Internal control over major programs:		
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no
Significant deficiency(ies) identified?	<u> </u> yes	<u> X </u> none reported

Type of auditors' report issued on compliance for major programs:	<u>Unmodified</u>
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Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	<u> </u> yes	<u> X </u> no
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Identification of major programs:

CFDA Number

14.218

14.704

17.258, 17.259 and 17.278

93.045

97.067

93.563

Name of Federal Program or Cluster

Community Development Block Grants

Entitlement Grants Cluster

Community Challenge Planning Grants

Workforce Investment Act Cluster

Aging Cluster

Homeland Security Grant Program

Child Support Enforcement

Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$ 663,913 </u>
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Auditee qualified as low-risk auditee?	<u> </u> yes	<u> X </u> no
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Washtenaw County

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

2014-001 - 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 including a set on or about March 2nd, 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 other large county governments, Washtenaw County administers a wide array of federal and state grants through its many departments. The function of grant administration is highly decentralized and certain departments did not complete their close out duties on a timely basis.

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 on January 2, 2015 to assist them with their Single Audit planning. This was done prior to our completing many of the year-end revenue and expenditure accruals which could not be finished until all invoices received in January 2015 that pertained to 2014 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. We will look closely at our process for preparing the draft SEFA to review how our estimated amounts were arrived at and how we can improve our estimating methods so that the first draft of the SEFA and the final SEFA correspond much more closely to each other. In addition, we will set a deadline of February 15th for all departments to be finished with the calculation of their final year-end federal expenditure amounts and have those amounts entered on the SEFA.

Washtenaw County

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS (CONCLUDED)

2014-002 - Material Audit 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 a material adjustment (which was approved and posted by management) to adjust the County's general ledger to the appropriate balances. Revenue in the public health special revenue fund was understated by approximately \$815,000 and due to other governments was overstated by the same amount.

Cause. Internal controls did not detect all adjustments necessary to properly record or adjust year-end balances.

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 adjustment has 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 work diligently throughout the year to keep the general ledger in balance and correct. We prepared almost 6,000 journal entries during 2014 to accomplish this. While we strive for perfection, occasionally an adjustment is missed or a mistake is accidentally made. 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. For the adjustment noted above, the \$815,000 was the portion of the Public Health revenues that were approved (under Board of Commissioner resolution 2014-0030) to be used for building a Public Health Dental Clinic. It was anticipated that the initial work would be substantially completed during Public Health's 2013-14 fiscal year. Unfortunately, due to delays, most of the work ended up occurring in Public Health's 2014-15 fiscal year. This required a late journal entry to move the revenues so that they were accurately recorded within the financial statements.

Washtenaw County

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2014

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

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Washtenaw County

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2014

Finding 2013-SA-1 - Semi-annual Certifications - CFDA # 93.600 - Head Start Program, CFDA # 97.067; Award Numbers 2010 HSPG and 2011 HSPG Homeland Security 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 adequately resolved.

