



CHARTER COUNTY OF WAYNE, MICHIGAN  
**SINGLE AUDIT  
REPORT**

**ROBERT A. FICANO  
COUNTY EXECUTIVE**

FOR THE YEAR ENDED  
SEPTEMBER 30, 2011

***2011***

***"Managing for the Future"***

# Charter County of Wayne, Michigan

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## Independent Auditor's Report

To the Wayne County Commission  
 and the County Executive  
 Charter County of Wayne, 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 as of and for the year ended September 30, 2011, which collectively comprise the Charter County of Wayne, Michigan's basic financial statements, and have issued our report thereon dated March 19, 2012. Those basic financial statements are the responsibility of the Charter County of Wayne, Michigan's management. Our responsibility is to express opinions on these basic financial statements based on our audit. We did not audit the financial statements of the Mental Health Fund, a major governmental fund which represents 5.94 percent and 36.91 percent of the assets and revenues, respectively, of the governmental activities. We also did not audit the financial statements of the following entities, which represent the following percentages of total aggregate discretely presented component unit assets and revenue, respectively:

- Wayne County-Detroit Community Development Entity, Inc. (0.02 percent and 0.07 percent)
- Greater Wayne County Economic Development Corporation (0.01 percent and 0.03 percent)
- Health Choice of Michigan (0.34 percent and 3.93 percent)
- Wayne County Regional Jobs and Economic Growth Foundation (0.02 percent and 0.02 percent)
- Development Corporation of Wayne County (0.00 percent and 0.01 percent)

We also did not audit the financial statements of the Pension Trust Funds, which represent 72.95 percent and 11.94 percent of the assets and revenue, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinions, insofar as they relate to the amounts included for the Mental Health Fund, Wayne County-Detroit Community Development Entity, Inc., Greater Wayne County Economic Development Corporation, Health Choice of Michigan, Wayne County Regional Jobs and Economic Growth Foundation, Development Corporation of Wayne County, and the Pension Trust Funds are based on the reports of other auditors.



To the Wayne County Commission  
and the County Executive  
Charter County of Wayne, Michigan

We conducted our audit 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 Wayne County Employees' Retirement System Defined Benefit Plan, Wayne County Employees' Defined Contribution Plan, Wayne County Circuit Court Commissioners Bailiffs' Retirement System, Wayne County Regional Jobs and Economic Growth Foundation, Development Corporation of Wayne County, Wayne County - Detroit CDE, Inc., and Detroit - Wayne County Stadium Authority were not audited in accordance with *Government Auditing Standards*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Charter County of Wayne, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis and is not a required part of the basic financial statements. The information in this schedule has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Plante & Moran, PLLC*

March 19, 2012

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*

Independent Auditor's Report

To the Wayne County Commission  
and the County Executive  
Charter County of Wayne, 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 as of and for the year ended September 30, 2011, which collectively comprise the Charter County of Wayne, Michigan's basic financial statements, and have issued our report thereon dated March 19, 2012. Our report was modified to include reference to other auditors. We have conducted our audit 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. Other auditors audited the financial statements of the Mental Health Fund, Wayne County-Detroit Community Development Entity, Inc., Greater Wayne County Economic Development Corporation, Health Choice of Michigan, Wayne County Regional Jobs and Economic Growth Foundation, Development Corporation of Wayne County, and the Pension Trust Funds, as described in our report on the Charter County of Wayne, Michigan'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 Wayne County Employees' Retirement System Defined Benefit Plan, Wayne County Employees' Defined Contribution Plan, Wayne County Circuit Court Commissioners Bailiffs' Retirement System, Wayne County Regional Jobs and Economic Growth Foundation, Development Corporation of Wayne County, Wayne County - Detroit CDE, Inc., and Detroit - Wayne County Stadium Authority were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the Charter County of Wayne, Michigan's internal control over financial reporting as a basis for designing our auditing procedures 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 entity's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the entity's internal control over financial reporting.

To the Wayne County Commission  
and the County Executive  
Charter County of Wayne, Michigan

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses 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 deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2011-1, 2011-2, and 2011-3 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2011-4 to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Charter County of Wayne, Michigan's financial statements are free of 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 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 Finding 2011-1.

We also noted certain matters that we have reported to management of the Charter County of Wayne, Michigan in a separate letter dated March 19, 2012.

The Charter County of Wayne, Michigan's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Charter County of Wayne, Michigan's responses and, accordingly, we express no opinion on them.

To the Wayne County Commission  
and the County Executive  
Charter County of Wayne, Michigan

This report is intended solely for the information and use of management, the Wayne County Commission and the County Executive, others within the entity, regulatory bodies, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

March 19, 2012

Report on Compliance with Requirements That Could Have a Direct and  
Material Effect on Each Major Program and on Internal Control Over Compliance  
in Accordance with OMB Circular A-133

Independent Auditor's Report

To the Wayne County Commission  
and the County Executive  
Charter County of Wayne, Michigan

**Compliance**

We have audited the compliance of the Charter County of Wayne, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. The major federal programs of the Charter County of Wayne, Michigan are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the Charter County of Wayne, Michigan's management. Our responsibility is to express an opinion on the Charter County of Wayne, Michigan's compliance based on our audit.

The Charter County of Wayne, Michigan's basic financial statements include the operations of the Mental Health Fund and the Wayne County Airport Authority component unit which received \$9,466,158 and \$13,848,154, respectively, in federal awards which are not included in the schedule during the year ended September 30, 2011. Our audit, described below, did not include the operations of the Mental Health Fund because the Charter County of Wayne, Michigan engaged other auditors to perform audits in accordance with OMB Circular A-133. Our audit, described below, did not include the operations of the Wayne County Airport Authority because it entered into a separate contract for audits in accordance with OMB Circular A-133.

To the Wayne County Commission  
and the County Executive  
Charter County of Wayne, Michigan

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 Charter County of Wayne, Michigan'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. Our audit does not provide a legal determination on the Charter County of Wayne, Michigan's compliance with those requirements.

In our opinion, the Charter County of Wayne, Michigan complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as Findings 2011-7, 2011-8, 2011-9, 2011-10, 2011-11, 2011-14, 2011-15, and 2011-16.

### **Internal Control Over Compliance**

The management of the Charter County of Wayne, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the Charter County of Wayne, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 entity'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 significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, 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.

To the Wayne County Commission  
and the County Executive  
Charter County of Wayne, Michigan

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 Findings 2011-5, 2011-7, 2011-15, and 2011-16 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 Findings 2011-6, 2011-9, 2011-10, 2011-11, 2011-12, 2011-13, and 2011-14 to be significant deficiencies.

The Charter County of Wayne, Michigan's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Charter County of Wayne, Michigan's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Wayne County Commission and the County Executive, others within the entity, regulatory bodies, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

May 8, 2012

# Charter County of Wayne, Michigan

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2011

Federal Grantor/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Agriculture:		
Direct Program - Child Nutrition Cluster - Summer Food Service Program For Children	10.559	\$ 87,406
Emergency Food Assistance Cluster - Emergency Food Assistance Program (Note 2)	10.568	178,837
Passed through State Department of Community Health: Special Supplemental Food	10.557	2,951,248
Snap Cluster - Supplemental Nutrition Assistance Program	10.551	<u>8,666</u>
Total U.S. Department of Agriculture		3,226,157
U.S. Department of Commerce:		
Passed through the State of Michigan - Urban Loan Fund (Note 7)	11.307	1,290,922
Passed through the Michigan State Police - Public Safety Interoperable Communications Grant	11.555	<u>392,755</u>
Total U.S. Department of Commerce		1,683,677
U.S. Department of Housing and Urban Development:		
Direct Programs:		
Community Development Block Grant (Note 5)	14.218	3,421,032
CDBG Entitlement Grants Cluster - Community Development Block Grants	14.218	87,271
CDBG Entitlement Grants Cluster - Community Development Block Grant	14.218	92,190
Neighborhood Stabilization Program (NSP) - Administration	14.218	6,239,776
Landbank	14.218	505,551
Emergency Shelter Grant (McKinney Act for the Homeless)	14.231	205,522
Supplemental Assistance to the Homeless	14.235	157,690
Home Investment Partnership	14.239	2,905,496
CDBG Entitlement Grants Cluster - ARRA - Community Development Block Grants	14.253	77,549
ARRA - Homelessness Prevention and Rapid Re-Housing (HPRP)	14.257	1,359,944
Lead Hazard Reduction Demonstration Grant	14.905	982,899
Passed through the National Community Reinvestment Coalition - Housing Counseling Assistance Program	14.169	<u>6,689</u>
Total U.S. Department of Housing and Urban Development		16,041,609

# Charter County of Wayne, Michigan

## Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2011

Federal Grantor/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Justice:		
Direct Programs:		
Federal Forfeited Property	16.000	\$ 1,616,162
Violence Against Women	16.013	77,277
COPS Technology Program	16.710	117,583
Edward Byrne Memorial Justice Assistance Grant Program	16.738	1,057,436
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	356,380
Edward Byrne Memorial Justice Assistance Grant	16.580	499,534
Mortgage Fraud Task Force	16.753	197,635
ARRA - JAG 2009	16.804	2,859,359
ARRA - Community Prosecution Team	16.808	958,740
Juvenile Mentoring Program	16.541	112,744
Project Sexual Assault Kit (SAK) Evidence	16.560	196,037
WCPO Sexual Assault Team	16.560	336,184
Wayne County Data Sharing Improvement Project	16.753	205,789
Passed through City of Detroit - Juvenile Accountability Block Grant	16.523	5,000
Passed through Michigan Department of Human Services:		
Juvenile Accountability Block Grant	16.523	396,389
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	365,275
Passed through Michigan Department of Community Health:		
Crime Victim Assistance	16.575	916,679
Byrne Memorial Justice Assistance Grant	16.738	178,357
ARRA - Stand Program	16.803	306,974
ARRA - Community Prosecution Team	16.808	559,064
Passed through Michigan Office of Drug Control Policy ARRA Osborn		
Safe Neighborhood Project	16.803	179,488
Passed through United Way for Southeastern Michigan:		
Comprehensive Anti-Gang Initiative (CAGI)	16.744	9,498
Comprehensive Anti-Gang Initiative (CAGI)	16.744	90,240
Passed through Michigan State Police:		
Detroit Community Justice Partnership	16.609	9,951
Internet Crime Against Children Task Force	16.800	105,000
ARRA - Internet Crimes Against Children	16.800	33,333
Passed through State Court Administrative Office - ARRA -		
Michigan Mental Health Court Grant Program (MMHCGP)	16.803	<u>186,411</u>
Total U.S. Department of Justice		11,932,519
U.S. Department of Transportation:		
Passed through Michigan Department of Transportation:		
Highway Planning and Construction Cluster - Highway Planning and and Construction (Note 4)	20.205	1,431,193
ARRA - Highway Planning and Construction	20.205	1,015,916
Passed through Michigan Department of Community Health -		
Highway Planning and Construction Cluster - Safe Route to Schools	20.205	4,440
Passed through Michigan Department of State Police:		
Highway Safety Cluster - Safety Belt Enforcement Task Force	20.600	58,127
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	<u>5,695</u>
Total U.S. Department of Transportation		2,515,371

# Charter County of Wayne, Michigan

## Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2011

Federal Grantor/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Treasury - Passed through Michigan State Housing Development Authority - National Foreclosure Mitigation Counseling Grant	21.000	\$ 170,675
U.S. Environmental Protection Agency:		
Direct Programs:		
Congressionally Mandated Projects	66.202	1,673,203
ARRA - Brownfield Pilots Cooperative Agreements	66.818	127,478
Brownfield Pilots Cooperative Agreements	66.818	1,508,502
Passed through Michigan Department of Environmental Quality:		
ARRA - Clean Water State Revolving Fund	66.458	156,216
Nonpoint Source Implementation Grants	66.460	189,181
Great Lakes Restoration Initiative (GLRI) Beach Monitoring Project	66.469	27,984
Beach Monitoring and Notification Program	66.472	<u>2,690</u>
Total U.S. Environmental Protection Agency		3,685,254
U.S. Department of Energy - Passed through Michigan Department of Human Services - ARRA - Energy Efficiency Conservation Block Grant	81.128	264,296
U.S. Department of Education:		
Passed through local universities - Federal Work Study - Prosecutor's Internship Program	84.033	4,281
Passed through Wayne County Regional Educational Service Agency - Early Intervention Services (IDEA) Cluster - Part C Early On	84.181	<u>177,901</u>
Total U.S. Department of Education		182,182
U.S. Department of Health and Human Services:		
Direct Programs:		
Substance Abuse and Mental Health Services Administration	93.243	192,297
Head Start Cluster - Head Start	93.600	23,096,551
ARRA - Head Start Cluster	93.708	351,918
Passed through Area Agency on Aging - Aging Cluster - Nutrition Services	93.045	1,720,045
Passed through Senior Alliance (Area Agency on Aging) - Aging Cluster Nutrition Services	93.053	725,445
Passed through Michigan Department of Community Health:		
H1N1 Pandemic Flu	93.069	932,000
Bioterrorism Supplemental - Early Warning Infectious Disease	93.069	2,489
TB Control	93.116	66,584
Child Lead Poisoning Prevention	93.197	62,144
Immunization Cluster - Infant Immunization Initiative	93.268	460,707
Immunization Cluster - VFC Vaccines	93.268	753,184
Bioterrorism Supplemental	93.069	540,248
Obesity Prevention	93.283	17,172
ARRA - Immunization Cluster - Reaching More Children and Adults	93.712	50,448
Medicaid Cluster - Medicaid Outreach and Advocacy	93.778	212,680
Medicaid Cluster - Crippled Children	93.778	235,360

# Charter County of Wayne, Michigan

## Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2011

Federal Grantor/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services (Continued):		
Passed through Michigan Department of Community Health (Continued):		
AIDS Counseling and Testing	93.940	\$ 199,966
Expanded HIV Testing in High Prevalence Health Care Settings	93.940	272,868
Venereal Disease	93.977	137,092
Maternal and Infant Care	93.994	150,000
Maternal and Child Health Services Block Grant	93.994	215,141
Oral Health Dental	93.994	741,566
Child Lead Poisoning Testing	93.994	70,000
Passed through Michigan Department of Human Services:		
TANF Cluster - Temporary Assistance for Needy Families	93.558	1,535,816
Title IV-D	93.563	16,679,723
Juvenile Justice and Abuse	93.647	69,313
Foster Care Title IV-E	93.658	1,697,944
Passed through the State Court Administrative Office (SCAO) - Access and Visitation Grant	93.597	<u>48,533</u>
Total U.S. Department of Health and Human Services		51,237,234
U.S. Department of Homeland Security:		
Passed through the Michigan State Police:		
Homeland Security Cluster - Homeland Security Grant Program	97.067	4,726,209
Emergency Management Performance Grants	97.042	63,008
Border Interoperability Demonstration Project	97.120	1,798
Passed through the Michigan Department of Natural Resources - Boating Safety Financial Assistance	97.012	<u>76,932</u>
Total U.S. Department of Homeland Security		<u>4,867,947</u>
Total federal awards		<u><b>\$ 95,806,921</b></u>

# Charter County of Wayne, Michigan

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## Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2011

### **Note 1 - Basis of Presentation and Significant Accounting Policies**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Charter County of Wayne, Michigan (the "County") and is presented on the same basis of accounting as the basic financial statements. Additional federal grant activity is included in separately issued federal award audits prepared on behalf of the Wayne County Mental Health Fund and the Wayne County Airport Authority. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of the Charter County of Wayne, Michigan, it is not intended to and does not present the financial position, changes in net assets, or cash flows.

### **Note 2 - Noncash Assistance**

The Emergency Food Assistance Program (TEFAP) receives funding for administration of commodities. The administration funding is reported on the schedule of expenditures of federal awards (CFDA No. 10.568). The value of commodities received for TEFAP during the fiscal year was \$1,320,963.

# Charter County of Wayne, Michigan

## Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2011

### Note 3 - Subrecipient Awards

Of the federal expenditures presented in the Schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
WIC - Special Supplemental Food	10557	\$ 891,834
Community Development Block Grant	14.218	2,430,819
CDBG - Hamtramck Section 108 Loan - Grand Haven	14.218	87,271
CDBG - Hamtramck Section 108 Loan - Joseph Campau	14.218	92,190
ARRA Community Development Block Grant Recovery Act Funds	14.253	77,549
Neighborhood Stabilization Program	14.218	2,930,902
Home Investment Partnership	14.239	170,648
Justice Assistance Grant	16.738	735,664
ARRA - Justice Assistance Grant	16.804	1,906,387
Congressionally Mandated Projects	66.202	694,643
Head Start	93.600	19,307,152
Homeland Security	97.067	77,258

### Note 4 - Highway Planning and Construction Program

The County participates in 42 federally funded and 15 federal ARRA funded separate road, street, and bridge construction and repair projects, which are primarily administered by the State of Michigan Department of Transportation. The projects, which are controlled by the State, are recorded in the County's general ledger and amounted to \$11,775,467 for the federally funded and \$6,066,633 for the ARRA funded projects. The federal financial assistance administered directly by the State has not been included in the tests of compliance with laws and regulations associated with the County's single audit.

# **Charter County of Wayne, Michigan**

## **Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2011**

### **Note 5 - HUD Section 108 Loans**

The U.S. Department of Housing and Urban Development (HUD) awarded Section 108 guaranteed loans to the City of Hamtramck in the aggregate amount of \$1,514,313 in fiscal year 2004. The loan represents pass-through funds from the County of Wayne to the City of Hamtramck for the purpose of housing and economic redevelopment. The City of Hamtramck was not eligible to apply directly to HUD for Section 108 funding since the City of Hamtramck participates in the County of Wayne's HUD loan program for the purpose of receiving federal Community Development Block Grant (CDBG) funds. Consequently, the County of Wayne applied for, and was awarded, the funding. The County does not have any continuing compliance requirements related to these loans and hence the outstanding principal balance is not included on the schedule of expenditures of federal awards. The CDBG housing portion received by the County of Wayne is disclosed on the schedule of expenditures of federal awards under CFDA 14.218.

The expenditures related to the Hamtramck (Grand Haven and Joseph Compau) Section 108 guaranteed loan activity are disclosed on the schedule of expenditures of federal awards under CFDA 14.218. Loan repayment commenced in 2005. Collateral for repayment of the funds includes future Community Development Block Grant entitlements due to the City of Hamtramck from HUD, passed through the Charter County of Wayne, Michigan.

### **Note 6 - American Recovery and Reinvestment Act of 2009 (ARRA) Reporting**

During 2011, the County received 14 federal awards under the American Recovery and Reinvestment Act of 2009 (ARRA). Expenditures of \$8,487,134 were incurred during 2011 and are shown on the schedule of expenditures of federal awards identified with the prefix "ARRA" as required under OMB Circular A-133.

### **Note 7 - Urban Loan Fund**

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

# **Charter County of Wayne, Michigan**

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## **Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2011**

### **Note 8 - Land Bank**

A schedule of expenditures of federal awards for Land Bank was reported separately for the fiscal year ended September 30, 2010. In the current fiscal year, the expenditures are included in the schedule of expenditures of federal awards for the Charter County of Wayne, Michigan.

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs Year Ended September 30, 2011

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Noncompliance material to financial statements noted?  Yes  No

#### Federal Awards

Internal control over major programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes  No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218/14.253	Community Development Block Grant Entitlement Cluster
93.600/93.708	Headstart Cluster
93.563	Title IV-D Child Enforcement Cluster
16.738/16.803/16.804	Justice Assistance Grant Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
97.067	Homeland Security Grant Cluster

Dollar threshold used to distinguish between type A and type B programs: \$2,913,837

Auditee qualified as low-risk auditee?  Yes  No

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2011

### Section II - Financial Statement Audit Findings

Reference Number	Finding
2011-1	<p><b>Finding Type</b> - Material weakness and material noncompliance with laws and regulations</p> <p><b>Criteria</b> - Generally accepted accounting principles (Q&amp;A 6.31.2) require that when one fund overdraws its share of a cash pool, that fund should report an interfund liability to the fund that management deems to have lent that amount to the overdrawn fund.</p> <p>The County receives funding from various sources that have legal requirements that restrict the use of the cash for particular purposes and which, by definition, preclude the County from loaning the cash to other funds or component units.</p> <p><b>Condition</b> - Certain funds and component units reported in the County's basic financial statements have spent more out of the common cash pool than they had provided in resources, which resulted in "negative equity" in the cash pool. The County's preliminary analysis indicates that there is approximately \$327 million of restricted cash, but only \$265 million of total cash in the common cash pool; this makes it highly likely that some level of restricted resources have been borrowed by those funds with negative equity. The accounting records do not record which specific funds have been borrowed from.</p> <p><b>Cause</b> - The County pools cash from various funds and component units. Over time, certain funds and component units have been allowed to spend more cash than they contributed to the pool, resulting in a negative equity.</p> <p><b>Effect</b> - It is probable that the County has allowed the use of pooled restricted cash to manage its cash needs. Because the County is not recording the overspending as interfund balances, it is unable to determine which funds have been borrowed from and therefore whether any borrowings were not in compliance with laws and regulations.</p> <p><b>Recommendation</b> - The County should revise its accounting to follow governmental GAAP and record the utilization of the pooled cash via "due to" and "due from" accounts. Once this has been accomplished, the County should review any restrictions that may apply to the various funding sources and determine for certain whether any illegal borrowings have occurred. Any such illegal borrowings should be promptly corrected.</p>

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2011

### Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2011-1 (Cont'd)	<p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Many states require that special funds be held in trust and not diverted for unrelated uses. Similarly, monies received in grants and state subventions may be restricted for particular uses by the terms of the grants or by statutes or regulations. It is a common and accepted practice for municipalities to use their pooled cash accounts as a source of cash flow within a fiscal year to carry funds that have intra-year cash inflows that do not match their cash outflows, provided that the budget and reserves are sufficient to ensure that at the end of the fiscal year, restricted funds are not in a position of having funded items not permitted within their restrictions and that the restricted dollars are available as required. For example, the General Fund may receive large infusions from property tax revenues twice a year, but have a monthly cash outflow that is relatively even. Generally, it is not improper for the cash outflow deficits to be covered from pooled cash during the year as long as the General Fund makes up the difference from cash inflows by the end of the fiscal year. There has not been an instance where projects of a special revenue program were impaired or delayed. In addition, there has been no instance where restricted dollars held by the County for other agencies were not available when required.</p>

Reference Number	Finding
2011-2	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - The County's Comprehensive Annual Financial Report (CAFR) must be prepared in accordance with governmental generally accepted accounting principles.</p> <p><b>Condition</b> - The County does not have a process in place to adequately prepare and review the CAFR to ensure it is accurate and complies with generally accepted accounting principles. The draft CAFR prepared by management and presented for audit contained significant errors and required material changes as a result of the audit, including:</p> <ul style="list-style-type: none"><li>• Changes to fund balance classification to comply with GASB Statement No. 54</li><li>• Reductions to charges for services revenue presented in the statement of net assets</li><li>• Increases to revenue in nonmajor special revenue funds</li><li>• Recording of a net pension obligation in the governmental activities, Circuit Court, and Probate Court</li></ul>

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2011

### Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2011-2 (Cont'd)	<p><b>Cause</b> - The County does not have a process in place to adequately prepare and review the CAFR to ensure it is accurate and complies with generally accepted accounting principles.</p> <p><b>Effect</b> - The draft CAFR presented for audit resulted in material changes recommended by the auditors.</p> <p><b>Recommendation</b> - We recommend the County implement a system to allow adequate time for a thorough detail review of the CAFR prior to providing it to the auditors.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - While it is true that manually preparing, editing, and reviewing the CAFR is a time-consuming process with financial information coming in from all over the County on hundreds of spreadsheets and text files, it did not hamper the delay in issuance of the CAFR. Manual input increases the likelihood of errors. Certainly, what the County faces in this area is not atypical for governments. The Department of Management and Budget has been seeking a solution for the past two years. The solution will efficiently consolidate financial, statistical data and narrative disclosures into the CAFR as well as enable the issuance of the document in a timelier manner. The solution will also include budgetary elements. A request for proposal has been issued for this "unified" solution and it is anticipated that it will be up and running by the next CAFR cycle. Finally, the County noted that one error the auditors found had been consistently recorded in the same manner over the past six audited financial statements.</p>

Reference Number	Finding
2011-3	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - Generally accepted accounting principles (GASB No. 33, 18) require governments to recognize revenues from property taxes net of estimated refunds and estimated uncollectible amounts.</p> <p><b>Condition</b> - At the time of the audit, the County had not reported an estimate of the property taxes that would ultimately be refunded (via the Michigan tax tribunal appeals) or uncollectible (via the charge-back from the delinquent tax revolving fund). Instead, refunds and chargebacks are recorded at the time they are paid.</p>

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2011

### Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2011-3 (Cont'd)	<p><b>Cause</b> - The County has experienced a significant increase in property tax appeals in recent years. The County does not have a system in place to monitor pending property tax appeals in the 23 Wayne County communities that handle their own assessing. For the 15 communities for which Wayne County handles the assessing, the County has the ability to generate a report of pending cases; however, management does not have a system in place to estimate or record probable refunds.</p> <p><b>Effect</b> - As a result of the audit, management calculated the estimated refunds for property tax appeals as of September 30, 2010 and 2011. A prior period adjustment was made to decrease fund balance in the General Fund as of October 1, 2010 by \$23.6 million. Management recorded an additional liability of \$4.3 million as of September 20, 2011.</p> <p><b>Recommendation</b> - We recommend management implement a process for tracking historical losses from tax appeals and delinquent charge-backs and utilize the historical information to develop formal estimates of future losses to be used to record an estimated liability in the General Fund and other funds that receive property taxes.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - While the County acknowledges the significant increase in property tax appeals in recent years, specifically in the cities of Detroit and Dearborn, such estimates are immeasurable and unpredictable. The significant refunds are attributable to commercial and industrial tax appeals and are not predictable and historical trends are not useful. The County does estimate the refunds during the annual budgetary process based on historical trends. However, due to the unpredictability and for financial statement purposes, the County records refunds on a cash basis. Financial Accounting Standards Board (FASB) Statement No. 5, <i>Accounting for Contingencies</i>, paragraph 8, states that the loss must be both probable and reasonably estimated. The prior period adjustment was based primarily on actual refunds made during fiscal year 2011 and thereafter. The liability reported of \$4.3 million as of September 30, 2011 was offset by actual refunds on a cash basis of \$7.8 million.</p> <p>The County will work with the treasurer's office and State of Michigan to develop a process to estimate such refunds in the future.</p>

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2011

### Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2011-4	<p><b>Finding Type</b> - Significant deficiency</p> <p><b>Criteria</b> - Periodically reviewing employee access privileges and timely removal of terminated employees from information technology system access decreases the risk of unauthorized transaction or inappropriate access to restricted data.</p> <p><b>Condition</b> - Management has established a formal process to review and verify user access privileges on a periodic basis for network and JD Edwards accounts. However, no formal periodic review is performed to verify and validate employees with PeopleSoft account privileges. Further, a periodic review of network user accounts has not been performed. Testing of 25 network and application accounts to verify timely removal of terminated employee access to Wayne County IT systems identified six terminated employees with active network accounts. Delays in the timely removal of employee access were further enhanced by weaknesses in the process to communicate employee terminations in a timely manner.</p> <p><b>Cause</b> - The County does not have a system to review and verify user access privileges on a periodic basis for PeopleSoft accounts. The County does not have a system in place to quickly communicate employee terminations and to remove terminated employee access to Wayne County IT systems.</p> <p><b>Effect</b> - There is an increased risk of current and terminated employees accessing restricted data and creating unauthorized transactions.</p> <p><b>Recommendation</b> - We recommend the revision of current user review procedures to include a review of employees with PeopleSoft system access on an annual basis in order to validate the appropriateness of access privileges granted. An annual review of network user accounts should be performed with exceptions documented and remediated in a timely manner. We also recommend the immediate disablement of terminated employee access and the performance of periodic reviews of employee accounts to identify active terminated employee accounts. We also recommend an enhancement to the current communication process between the human resources and technology departments for notification of terminated employees.</p>

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2011

### Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2011-4 (Cont'd)	<p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The department of technology has been working with the department of personnel/HR (P/HR) to implement electronic workflows for employees on boarding and off boarding. The workflows are configured to ensure timely electronic notification to appropriate staff responsible for account terminations. DoT is working closely with P/HR to ensure that:</p> <ol style="list-style-type: none"><li>1. Network access for terminated employees is removed.</li><li>2. Network access for employees on leave (either voluntary or disciplinary) will be suspended.</li><li>3. User access privileges to JD Edwards and PeopleSoft are audited on an annual basis.</li><li>4. Countywide user access is audited on an annual basis.</li></ol> <p>The projected completion date is April 30, 2012.</p>

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2011

### Section III - Federal Program Audit Findings

Reference Number	Finding
2011-5	<p><b>Program Name</b> - Homeland Security, CFDA #97.067, Headstart, CFDA #93.600/93.708, and Community Development Block Grant Entitlement Cluster, CFDA #14.218/14.253/14.254</p> <p><b>Pass-through Entity</b> - Michigan state police</p> <p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - OMB Circular A-133 requires organizations to properly reflect federal expenditures in the schedule of expenditures of federal awards (SEFA).</p> <p><b>Condition</b> - The SEFA included adjustments related to expenditures and other transactions that occurred at year end, resulting in revisions to correct the SEFA. The expenditures presented on the SEFA for the Homeland Security (CFDA #97.067), Headstart (CFDA #93.600/93.708), and Community Development Block Grant Entitlement Cluster (CFDA #14.218/14.253/14.254) were adjusted by approximately \$715,000. The adjustment was made as a result of either an accrual or ineligible expenditures that were not identified during year-end reconciliation.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - The adjustments made to the expenditures reported on the schedule of expenditures of federal awards affected the major program selection.</p> <p><b>Cause and Effect</b> - Internal control procedures over determining which expenditures should be reported on the SEFA did not operate effectively. This resulted in the County's schedule of expenditures of federal awards provided to the auditors being inaccurate on a program and total expenditure basis and a change in the major program determination.</p> <p><b>Recommendation</b> - Internal control procedures should be initiated and enforced to ensure the proper expenditures are reported in the schedule of expenditures of federal awards.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Prior to issuance of a final SEFA, the grants division will verify that all accounting entries for the year have been posted and then perform a final reconciliation of the SEFA to G/L for all major programs.</p>

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2011

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2011-6	<p><b>Program Name</b> - Supplemental Food Cluster, CFDA #10.557</p> <p><b>Pass-through Entity</b> - Michigan State Department of Community Health</p> <p><b>Finding Type</b> - Significant deficiency</p> <p><b>Criteria</b> - The Department of Community Health performed a program audit during fiscal year 2011 citing various instances of noncompliance with eligibility requirements (7 CFR 246 subpart 6, subpart 7, subpart 11, and subpart 12) related to the testing and documentation of nutritional risks.</p> <p><b>Condition</b> - The monitoring report issued by the Department of Community Health indicated instances where measurement protocol, wait time, documentation, and maintenance of nutritional plans and nutritional counseling did not comply with the eligibility requirements.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - The County provides WIC services to several hundred infants and women. Five of seven infant records reviewed had not received infant evaluations as required, client measurements performed at Wayne were not consistently confirmed, 138 high priority clients were not scheduled within 10 days of requesting an appointment, WIC client agreement was not signed in four out of 16 records that were reviewed, two out of five "short certified" client records did not receive notice of short certification, two out of 16 records reviewed did not have nutrition education plan, and two out of 10 high-risk clients were not offered nutrition counseling services.</p> <p><b>Cause and Effect</b> - Internal control procedures over compliance with nutritional risks covered under the eligibility requirements did not operate effectively. As a result, in certain instances, the County was unable to demonstrate to the Department of Community Health that they were in compliance with certain eligibility requirements detailed under 7 CFR 246.</p> <p><b>Recommendation</b> - The County should ensure that adequate internal control processes exist to comply with all eligibility requirements detailed under 7 CFR 246.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Oversight procedures have been implemented to strengthen controls in providing required services. Site supervisors will review infant evaluation records and be present when lab anthropometric measurements are performed.</p>

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2011

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2011-7	<p><b>Program Name</b> - Supplemental Food Cluster, CFDA #10.557</p> <p><b>Pass-through Entity</b> - Michigan State Department of Community Health</p> <p><b>Finding Type</b> - Material weakness and material noncompliance with laws and regulations</p> <p><b>Criteria</b> - 7 CFR 246 subpart 12 requires a state agency to account for the disposition of all food instruments as either issued or voided and as either redeemed or unredeemed. Furthermore, the State of Michigan (pass-through agency) requires monthly inventory reconciliations of the food instrument cards.</p> <p><b>Condition</b> - The County administers the WIC program at multiple sites throughout the County, some of which utilize subrecipients. The County issues the food instrument cards to the various sites. At the sites, the food instrument cards are logged into the ledger as they are issued; however, a reconciliation of distributed cards to physical inventory is not performed.</p> <p><b>Questioned Costs</b> - Unknown</p> <p><b>Context</b> - The County received 12 boxes of food instrument cards, which were distributed to various County and subrecipient administered sites. Each box contains 200 food instrument cards. Once eligibility is determined, the nutritionist at the site determines the benefits to be provided, loads them on the card, and distributes the card to the individual receiving the benefit.</p> <p><b>Cause and Effect</b> - The County did not have adequate internal control procedures over the reconciliation of food instrument card inventory to determine if all cards that were issued to the sites were properly safeguarded. As a result, the County is unable to account for all of the cards issued.</p> <p><b>Recommendation</b> - The County should ensure that monthly reconciliations of all food instrument cards are performed at the County-administered sites. Additionally, the County should monitor the subrecipient sites to ensure that they perform monthly reconciliations of the food instrument cards. These monthly reconciliations should be retained by the County.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The supervisory staff at each site location will be required to place their signatures on the logs verifying that the food instruments are accounted for properly. The site supervisor or designee will review the daily bridge card logs daily and will conduct audits quarterly. Audit results will be shared with staff and additional training will be provided as warranted.</p>

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2011

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2011-8	<p><b>Program Name</b> - Supplemental Food Cluster, CFDA #10.557</p> <p><b>Pass-through Entity</b> - Michigan State Department of Community Health</p> <p><b>Finding Type</b> - Material noncompliance with laws and regulations</p> <p><b>Criteria</b> - OMB Circular A-87 requires that semiannual certifications be signed and maintained by all individuals who spend 100 percent of their time on program activities.</p> <p><b>Condition</b> - The County did not ensure that semiannual certifications were signed and maintained by the two individuals who spend 100 percent of their time on WIC-related activities.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - During the year, the County charged full payroll and fringe benefit expenses to the WIC program for two employees. The County does have a separate approval process to ensure that payroll related costs allocated to the grant are allowable. In response to the audit finding, the County did obtain signed semiannual certifications from the two employees.</p> <p><b>Cause and Effect</b> - The County was unaware of the program requirement to ensure required semiannual certifications were obtained and maintained for employees charging 100 percent of their time to a program, which led to noncompliance.</p> <p><b>Recommendation</b> - The County should ensure that semiannual certifications are signed and retained for all individuals who spend 100 percent of their time on grant-related activities.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Effective with the fiscal year beginning October 1, 2011, queries will be run semiannually on the ACCESS database that tracks public health employees' time allocation. Those employees that work 100 percent on WIC will be asked to complete the certification form and forward it to the WIC director for approval. Copies of the forms will be sent to grants and the originals will be filed in Health and Human Services Central Finance.</p>

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2011

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2011-9	<p><b>Program Name</b> - Homeland Security Grant, CFDA #97.067</p> <p><b>Pass-through Entity</b> - Michigan state police</p> <p><b>Finding Type</b> - Significant deficiency and material noncompliance with laws and regulations</p> <p><b>Criteria</b> - The Michigan state police requires quarterly project status reports to be filed in conjunction with the allowable costs justification reports.</p> <p><b>Condition</b> - The County timely submitted the allowable costs justification reports but did not submit the required project status reports.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - The quarterly project status reports are utilized by the funding agency to determine the status of the projects that are being funded with the grant. Michigan state police communicated the noncompliance to the County in fiscal year 2011. Subsequent to the County receiving the communication of noncompliance, the County has started submitting the required project status reports.</p> <p><b>Cause and Effect</b> - The County did not have adequate controls in place to ensure required performance reports were filed timely, which resulted in noncompliance with reporting requirements.</p> <p><b>Recommendation</b> - The County should ensure adequate controls are in place to identify grant reporting requirements and ensure the requirements are met.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The director of the department held a special meeting on July 20, 2011 in which the finding was addressed. All reports subsequent to July 2011 will be timely submitted and the director or deputy director will monitor all reporting activities for compliance.</p>

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2011

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2011-10	<p><b>Program Name</b> - Homeland Security Grant, CFDA #97.067</p> <p><b>Pass-through Entity</b> - Michigan state police</p> <p><b>Finding Type</b> - Significant deficiency and material noncompliance with laws and regulations</p> <p><b>Criteria</b> - 2 CFR 3000 subpart 332 requires a pass-through entity to include a term or condition in any pass-through transaction that the participant of that transaction should comply with requirements under Circular A-133.</p> <p><b>Condition</b> - The County passed through equipment, purchased with funds awarded under CFDA number 97.067, to various communities. The County did not communicate that the equipment was purchased with federal funds and that the communities are subject to OMB Circular A-133 requirements. Subsequently, the County sent an email to all the communities informing them that they received equipment purchased with federal funds awarded under CFDA #97.067.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - The subrecipient communities received equipment of approximately \$980,000 through the grant program.</p> <p><b>Cause and Effect</b> - The County did not have adequate controls in place to ensure subrecipients received proper notification of equipment purchased with federal funds. The lack of notification could lead to noncompliance by subrecipients.</p> <p><b>Recommendation</b> - Internal control procedures should be implemented to ensure that the County properly communicates federal grant awards to subrecipients.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - In the past, the communities signed an equipment acceptance form acknowledging that they have received equipment from grant funds. The form has been changed so that it now states that equipment was purchased with federal funds, lists the CFDA number, and that the entity may be subject to audit under OMB Circular A-133.</p>

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2011

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2011-11	<p><b>Program Name</b> - Community Development Block Grant Entitlement Cluster, CFDA #14.218/14.253/14.254</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Significant deficiency and material noncompliance with laws and regulations</p> <p><b>Criteria</b> - The Department of Housing and Urban Development (HUD) performed a review of NSPI administration at the County and determined that the County was not in compliance with program rules as specified at 24 CFR 570.611 (b). The federal register states that former employees of the grantee who had program oversight responsibilities are prohibited from receiving federally supported financial compensation from that grantee for a period of one year following the termination of their employment.</p> <p><b>Condition</b> - In the current fiscal year, the County entered into a contract with a developer who then entered into a contract with an ex-employee of the County with a termination date within the one-year timeframe.</p> <p><b>Questioned Costs</b> - \$160,714</p> <p><b>Context</b> - The County enters into contracts with various developers to enable the County to achieve program objectives established under the NSPI award. The total amount awarded to the developer that did not meet eligibility requirements was \$160,714. Total amounts awarded to developers under the NSPI program amount to approximately \$15 million. The concerns in the report issued by HUD have not been fully resolved as of the date of this report.</p> <p><b>Cause and Effect</b> - The County hired a third-party program manager and delegated authority to monitor NSPI to the program manager. In their role as a third-party program manager for the County, the program manager failed to review the developer's compliance under 24 CFR 570.611 (b) prior to submitting vouchers for repayment to Wayne County. The County, on their part, failed to monitor the activities of the program manager. The lack of controls resulted in the County's developer entering into a contract with a contractor that was not eligible to receive federally supported compensation. The contract has been terminated and the amounts paid to the developer will be refunded to the program.</p> <p><b>Recommendation</b> - Internal control procedures should be initiated and enforced to ensure that all required eligibility criteria are met before the County processes reimbursements.</p>

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2011

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2011-11 (Cont'd)	<b>Views of Responsible Officials and Planned Corrective Actions</b> - EDGE program management agrees with the finding and will review present processes further to determine where improvements can be made in developing stronger control procedures. However, effective immediately, Wayne County EDGE will administer third-party program contracts more carefully to ensure that contractors are performing adequately under their contracts.

Reference Number	Finding
2011-12	<b>Program Name</b> - Community Development Block Grant Entitlement Cluster, CFDA #14.218/14.253/14.254 <b>Pass-through Entity</b> - N/A <b>Finding Type</b> - Significant deficiency <b>Criteria</b> - The Department of Housing and Urban Development (HUD) performed a capacity review of the County's Neighborhood Stabilization Program citing noncompliance with 24 CFR 85.12 (a). In its communication to the County, HUD stated that under the cited federal register, the County is required to submit a revised management plan that addressed staff capacity concerns as two key staff included in the original management plan were no longer employed by the County. Since that time, two additional staff are no longer involved in the program. <b>Condition</b> - HUD issued a report dated September 30, 2011 that identifies concerns related to the current staffing levels at the County and the County's ability to ensure the Neighborhood Stabilization Program is properly administered. <b>Questioned Costs</b> - None <b>Context</b> - The County received an award under the Neighborhood Stabilization Program of \$26 million in 2009. The County did meet the obligation deadlines related to the funding at the end of the prior fiscal year. HUD is concerned that the County may not be able to meet the spending deadlines and ensure program compliance due to the loss of certain key employees since the grant was awarded. <b>Cause and Effect</b> - If appropriate staffing levels are not attained, it has the potential to affect the County's ability to administer the federal program such that there is more than a remote likelihood that noncompliance with a compliance requirement of a federal program will occur.

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2011

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2011-12 (Cont'd)	<b>Recommendation</b> - It appears that the County submitted an amended management plan for NSPI in June 2011 and these findings are a result of disagreements with HUD.

**Views of Responsible Officials and Planned Corrective Actions** - In a correspondence dated March 26, 2012, HUD identified that they had received the revised management plan and that this finding has been closed.

Reference Number	Finding
2011-13	<b>Program Name</b> - Community Development Block Grant Entitlement Cluster, CFDA #14.218/14.253/14.254

**Pass-through Entity** - N/A

**Finding Type** - Significant deficiency

**Criteria** - The Department of Housing and Urban Development (HUD) performed a review of NSPI administration at the County and determined that the County was not in compliance with program rules as specified at 24 CFR 570.611 (b) and (c). The federal register states that no employee, officer, or agent of the grantee or subgrantee shall participate in selection or award or administration of a contract supported by federal funds if a conflict of interest, real or apparent, would be involved.

**Condition** - In the current fiscal year, the County entered into a contract with a developer who contracted with an engineering firm whose resident agent and majority owner also had a personal service contract with the County, which involves duties related to the NSPI award. HUD has concluded that this has created a situation of conflict of interest.

**Questioned Costs** - \$21,480

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2011

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2011-13 (Cont'd)	<p><b>Context</b> - The County entered into contracts with certain organizations to assist the County with administering funds received under the Community Development Block Grant Cluster. As a result, the County entered into a personal service contract with an individual to enable the County to achieve program objectives established under the various programs, including the NSPI award. The total contract amount under the personal service contract was \$49,000. The total amount awarded to the developer under the NSPI program who also contracted with the engineering firm where the above-mentioned individual is a principal owner was \$6,800,000. The concerns in the report issued by HUD have not been fully resolved as of the date of this report.</p> <p><b>Cause and Effect</b> - The County did not have adequate procedures in place to ensure that they were in compliance with conflict of interest requirements under 24 CFR570.611 (b) and (c) prior to entering into program administration contracts with entities/individuals. The lack of controls resulted in the County entering into a personal service contract with an individual who, in their position at the County, could benefit from insider information from another NSPI award.</p> <p><b>Recommendation</b> - Internal control procedures should be initiated and enforced to ensure that all required eligibility criteria are met before the County enters into a contract with a service provider.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - In the future, if a conflict of interest question should arise, HUD will be consulted. If HUD determines that a conflict exists, EDGE will act accordingly.</p>

Reference Number	Finding
2011-14	<p><b>Program Name</b> - Community Development Block Grant Entitlement Cluster, CFDA #14.218/14.253/14.254</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Significant deficiency and material noncompliance with laws and regulations</p> <p><b>Criteria</b> - 31 CFR subpart 205, the drawdown of federal cash should be for immediate needs. Pass-through entities should ensure that payments to subrecipients are limited to immediate cash needs. Per the NSPI FAQ, the acceptable timeframe to justify immediate needs is three days.</p>

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2011

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2011-14 (Cont'd)	<p><b>Condition</b> - In the current fiscal year, for the County requested reimbursement from the Department of Housing and Urban Development prior to paying a particular subrecipient. In addition, the reimbursement requests were submitted to the County by the subrecipient prior to vendor payment. On average, a 10-day gap existed between the County receiving reimbursement from HUD and the ultimate payment to the vendor.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - The County enters into several subrecipient contracts to pass-through awards received by the County under the CDBG Entitlement Cluster. The County has an appropriate process in place to ensure that any reimbursement request made for funds is subsequent to the subrecipient paying the vendor and the County paying the subrecipient. For one subrecipient, the County's normal reimbursement process was not followed, resulting in a longer than acceptable lag between the time the County requested the reimbursement and the ultimate payment to the vendor.</p> <p><b>Cause and Effect</b> - The County did not have an internal control process in place to ensure all subrecipient reimbursement requests were subject to the same approval process, which resulted in a longer than acceptable lag between the time the County requested the reimbursement from HUD and the ultimate payment to the vendor.</p> <p><b>Recommendation</b> - Internal control procedures should be initiated and enforced to ensure that the County follows the documented cash management procedures for all subrecipients.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - EDGE does not typically make payments prior to draws. However, this particular subrecipient is a component unit of the County, the Wayne County Land Bank. Therefore, EDGE submitted for payment and performed the draws simultaneously. In the future, all subrecipient reimbursements will be processed in the same manner. This will require that Land Bank complete the payment process prior to the draw.</p>

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2011

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2011-15	<p><b>Program Name</b> - Community Development Block Grant Entitlement Cluster, CFDA #14.218/14.253/14.254</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Material weakness and material noncompliance with laws and regulations</p> <p><b>Criteria</b> - A102 common rule states that local governments should use their own procurement procedures provided that they conform to applicable federal laws and regulations and standards identified in the A102 common rule.</p> <p><b>Condition</b> - In the current fiscal year, the County paid a third-party administrator to assist the County to administer the NSPI program. The total payments to the third-party administrator exceed the County's procurement threshold, but the County did not directly contract the services with the administrator.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - The County has entered into contracts with vendors to provide grant administrative services for various grants awarded by the Department of Housing and Urban Development. In the case of the agreement related to NSPI program administration, the County did not have a direct contract with the third-party administrator. Instead, the procurement was performed by a subrecipient of the County, which is a related entity of the County. The procurement policies of the subrecipient are less restrictive than that of the County. The activities covered under the administration contract are allowable costs under A-87. The County paid approximately \$458,000 to the third-party administrator in the current year for services received under the subrecipient contract.</p> <p><b>Cause and Effect</b> - The County did not have adequate internal controls in place to ensure that its own procurement procedures were followed related to the contracting of a third-party administrator to oversee compliance with the NSPI. This resulted in expenditures to the vendor that exceeded the County's procurement threshold without following the more restrictive procurement procedures of the County.</p> <p><b>Recommendation</b> - Internal control procedures should be initiated and enforced to ensure that the County follows the procurement requirements in all instances.</p>

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2011

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2011-15 (Cont'd)	<b>Views of Responsible Officials and Planned Corrective Actions</b> - EDGE program management agrees with the finding. In the future, all procurements for services under community development programs will be done through Wayne County Purchasing.

Reference Number	Finding
2011-16	<p><b>Program Name</b> - Justice Assistance Grant Cluster 16.738/16.803/16.804</p> <p><b>Pass-through Entity</b> - Michigan Department of Community Health and Michigan Office of Drug Control Policy</p> <p><b>Finding Type</b> - Material weakness and material noncompliance with laws and regulations</p> <p><b>Criteria</b> - Generally accepted accounting principles (Q&amp;A 6.31.2) require that when one fund overdraws its share of a cash pool, that fund should report an interfund liability to the fund that management deems to have lent that amount to the overdrawn fund.</p> <p>The County receives funding from various sources that have legal requirements that restrict the use of the cash for particular purposes and which, by definition, preclude the County from loaning the cash to other funds or component units.</p> <p><b>Condition</b> - Certain funds and component units reported in the County's basic financial statements have spent more out of the common cash pool than they had provided in resources, which resulted in "negative equity" in the cash pool. The County's preliminary analysis indicates that there is approximately \$327 million of restricted cash, but only \$265 million of total cash in the common cash pool; this makes it highly likely that some level of restricted resources have been borrowed by those funds with negative equity. The accounting records do not record which specific funds have been borrowed from.</p> <p><b>Questioned Costs</b> - Unknown</p> <p><b>Context</b> - The County received the JAG funds when the award was signed in 2009. At the end of fiscal year 2011, approximately \$10 million is unspent and these funds are included with the pooled cash of \$265 million. As a result, it is possible that the JAG funds were used toward unrestricted activities of another fund.</p>

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2011

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2011-16 (Cont'd)	<p><b>Cause and Effect</b> - The County pools cash from various funds and component units. Over time, certain funds and component units have been allowed to spend more cash than they contributed to the pool, resulting in a negative equity.</p> <p>It is probable that the County has allowed the use of pooled restricted cash to manage its cash needs. Because the County is not recording the overspending as interfund balances, it is unable to determine which funds have been borrowed from and therefore whether any borrowings were not in compliance with laws and regulations.</p> <p><b>Recommendation</b> - The County should revise its accounting to follow governmental GAAP and record the utilization of the pooled cash via "due to" and "due from" accounts. Once this has been accomplished, the County should review any restrictions that may apply to the various funding sources and determine for certain whether any illegal borrowings have occurred. Any such illegal borrowings should be promptly corrected.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - Many states require that special funds be held in trust and not diverted for unrelated uses. Similarly, monies received in grants and state subventions may be restricted for particular uses by the terms of the grants, statutes, or regulations. It is a common and accepted practice for municipalities to use their pooled cash accounts as a source of cash flow within a fiscal year to carry funds that have intra-year cash inflows that do not match their cash outflows provided that the budget and reserves are sufficient to ensure that at the end of the fiscal year, restricted funds are not in a position of having funded items not permitted within their restrictions and that the restricted dollars are available as required. For example, the General Fund may receive large infusions from property tax revenues twice a year, but have a monthly cash outflow that is relatively even. Generally, it is not improper for the cash outflow deficits to be covered from pooled cash during the year as long as the General Fund makes up the difference from cash inflows by the end of the fiscal year. There has not been an instance where projects of a special revenue program were impaired or delayed. In addition, there has been no instance where restricted dollars held by the County for other agencies were not available when required.</p>



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