



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

**ROBERT A. FICANO**  
COUNTY EXECUTIVE

FOR THE YEAR ENDED  
SEPTEMBER 30, 2010

**2010**

*"Managing for the Future"*

# **Charter County of Wayne, Michigan**

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**Federal Awards  
Supplemental Information  
September 30, 2010**

# Charter County of Wayne, Michigan

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## Contents

Independent Auditor's Report	1-2
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3-5
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	6-8
Schedule of Expenditures of Federal Awards	9-13
Notes to Schedule of Expenditures of Federal Awards	14-16
Schedule of Findings and Questioned Costs	17-25



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## Independent Auditor’s Report

To the Board of Commissioners  
 and the County Executive  
 Charter County of Wayne, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Charter County of Wayne, Michigan (the “County”) as of and for the year ended September 30, 2010, which collectively comprise the County’s basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County’s management. Our responsibility is to express opinions on these financial statements based on our audit.

We did not audit the financial statements of the Mental Health Fund, a major governmental fund, which represents 4.83 and 37.21 percent of the assets and revenue, 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:

	Percent of Assets	Percent of Revenue
Wayne County-Detroit Community Development Entity, Inc.	0.01%	0.02%
Greater Wayne County Economic Development Corporation	0.02%	0.10%
Health Choice of Michigan	0.24%	3.19%
Wayne County Regional Jobs and Economic Growth	0.01%	0.01%
Development Corporation of Wayne County	0.03%	0.19%

We also did not audit the financial statements of the Pension Trust Funds, which represent 72.54 and 33.64 percent of the assets and revenue, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have 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, Development Corporation of Wayne County, and the Pension Trust Funds, are based on the reports of the other auditors.



To the Board of Commissioners  
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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the following entities were not audited in accordance with *Government Auditing Standards*:

- Wayne County Employees' Retirement System Defined Benefit Plan
- Wayne County Employees' Retirement System 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.
- Detroit - Wayne County Stadium Authority

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 and the reports of other auditors provide a reasonable basis for our opinions.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements as a whole. 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 31, 2011



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**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***

To the Board of Commissioners  
 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 (the "County") as of and for the year ended September 30, 2010, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 31, 2011, which includes a reference to the reports of 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. The financial statements of the Detroit-Wayne County Stadium Authority, the Wayne County-Detroit Community Development Entity, Inc., the Development Corporation of Wayne County, the Wayne County Regional Jobs and Economic Growth Foundation, and the Pension Trust Funds were not audited in accordance with *Government Auditing Standards*.

We did not audit the financial statements of the Mental Health Fund, a major governmental fund, which represents 4.83 and 37.21 percent of the assets and revenue, 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:

	<u>Percent of Assets</u>	<u>Percent of Revenue</u>
Wayne County-Detroit Community Development Entity, Inc.	0.01%	0.02%
Greater Wayne County Economic Development Corporation	0.02%	0.10%
Health Choice of Michigan	0.24%	3.19%
Wayne County Regional Jobs and Economic Growth	0.01%	0.01%
Development Corporation of Wayne County	0.03%	0.19%

To the Board of Commissioners  
and the County Executive  
Charter County of Wayne, Michigan

We also did not audit the financial statements of the Pension Trust Funds, which represent 72.54 and 33.64 percent of the assets and revenue, respectively, of the aggregate remaining fund information. Those financial statements were audited by other auditors whose reports thereon have 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, Development Corporation of Wayne County, and the Pension Trust Funds, are based on the reports of the other auditors.

Our consideration of internal control over financial reporting and our test of compliance with certain provisions of laws, regulations, contracts, grants, and other matters did not include the entities audited by other auditors referred to in the previous paragraphs. The findings, if any, of those auditors are not included herein.

### **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 Charter County of Wayne, Michigan'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.

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 a deficiency in internal control over financial reporting that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2010-1 to be a material weakness.

To the Board of Commissioners  
and the County Executive  
Charter County of Wayne, Michigan

### **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 potential noncompliance or other matter that is required to be reported under *Government Auditing Standards*, which is described in the accompanying schedule of findings and questioned costs as Finding 2010-2.

We also noted certain matters that we have reported to the Board of Commissioners, the County Executive, and members of management of the Charter County of Wayne, Michigan in a separate letter dated March 31, 2011.

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 and others within the Charter County of Wayne, Michigan, officials of the State of Michigan, 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 31, 2011

Report on Compliance with Requirements Applicable to  
Each Major Program and on Internal Control Over Compliance in  
Accordance with OMB Circular A-133

To the Board of Commissioners  
and the County Executive  
Charter County of Wayne, Michigan

## Compliance

We have audited the compliance of the Charter County of Wayne, Michigan (the “County”) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 compliance supplement that are applicable to each of its major federal programs for the year ended September 30, 2010. 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 operations of the Mental Health Fund, which received \$9,898,850 in federal awards, the Wayne County Airport Authority component unit, which received \$26,092,727 in federal grants, and the Wayne County Land Bank Corporation component unit, which received \$4,176,788 in federal grants, which are not included in the schedule of expenditures of federal awards for the year ended September 30, 2010. 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 and Wayne County Land Bank Corporation because it entered into a separate contract for audits in accordance with OMB Circular A-133.

To the Board of Commissioners  
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 requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2010. The results of our auditing procedures also disclosed other instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-4 and 2010-5.

### **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 the 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 the 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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses; therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

To the Board of Commissioners  
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 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2010-3 to be a material weakness.

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 2010-4 and 2010-5 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 the County Executive, County Commissioners, management, and others within the Charter County of Wayne, Michigan, officials of the State of Michigan, federal awarding agencies, and pass-through agencies and is not intended to be and should not be used by anyone other than these specified parties.

*Plante & Moran, PLLC*

March 31, 2011

# Charter County of Wayne, Michigan

## Schedule of Expenditures of Federal Awards Year Ended September 30, 2010

Federal Agency/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	\$ 104,882
Passed through State Department of Education:		
Child Nutrition Cluster - National School Breakfast (Note 2)	10.553	99,346
Child Nutrition Cluster - National School Lunch/Snack (Note 2)	10.555	151,147
Emergency Food Assistance Cluster - Emergency Food Assistance Program (Note 2)	10.568	90,649
ARRA - Emergency Food Assistance Program	10.568	197,108
Passed through State Department of Community Health:		
Special Supplemental Food	10.557	2,397,990
Snap Cluster - Supplemental Nutrition Assistance Program	10.561	<u>2,712</u>
Total U.S. Department of Agriculture		3,043,834
U.S. Department of Commerce:		
Passed through the State of Michigan - Urban Loan Fund (Note 7)	11.307	1,049,497
Passed through the Michigan State Police - Public Safety Interoperable Communications Grant Program	11.555	<u>1,309,988</u>
Total U.S. Department of Commerce		2,359,485
U.S. Department of Housing and Urban Development:		
Direct programs:		
Community Development Block Grant (Note 5)	14.218	6,087,837
CDBG Entitlement Grants Cluster - Community Development Block Grant (Hamtramck - Joseph Compeau - Section 108 Loan) (Note 5)	14.218	90,744
CDBG Entitlement Grants Cluster - Community Development Block Grant (Hamtramck - Grand Haven - Section 108 Loan) (Note 5)	14.218	96,029
Neighborhood Stabilization Program (NSP) - Administration	14.218	6,616,571
Emergency Shelter Grant (McKinney Act for the Homeless)	14.231	249,424
Supplemental Assistance to the Homeless	14.235	172,399
Home Investment Partnership	14.239	3,134,351
CDBG Entitlement Grants Cluster - ARRA - Community Development Block Grant	14.253	655,700
ARRA - Homelessness Prevention & Rapid re-Housing (HPRP)	14.257	220,200
Lead Hazard Reduction Demonstration Grant	14.905	1,527,574
Passed through the City of Taylor - CDBG Entitlement Grants Cluster - Community Development Block Grant	14.218	<u>5,000</u>
Total U.S. Department of Housing and Urban Development		18,855,829

# Charter County of Wayne, Michigan

## Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2010

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Justice:		
Direct programs:		
Federal Forfeited Property	16.000	\$ 370,778
Substance Abuse Prevention and Intervention Program	16.541	73,513
State Criminal Alien Assistance Program	16.606	120,024
COPS Technology Program	16.710	45,440
Edward Byrne Memorial Justice Assistance Grant Program	16.738	3,005,806
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	227,837
Part E - Developing, Testing and Demonstrating Promising New Programs	16.541	258,053
Edward Byrne Memorial Justice Assistance Grant	16.580	32,043
Mortgage Fraud Task Force	16.753	2,235
Northern Border Prosecution Initiative	16.814	3,597
ARRA - JAG 2009	16.804	1,833,505
ARRA - Community Prosecution Team	16.808	1,084,425
Passed through City of Detroit - Juvenile Accountability Block Grant	16.523	5,002
Passed through Michigan Department of Human Services:		
Juvenile Accountability Block Grant	16.523	265,275
Juvenile Justice and Delinquency Prevention - Allocation to States	16.540	242,892
Passed through Michigan Department of Community Health:		
Crime Victim Assistance	16.575	1,073,687
Byrne Memorial Justice Assistance Grant	16.738	225,000
ARRA - Stand Program	16.803	312,901
ARRA - Community Prosecution Team	16.808	329,050
Passed through Michigan Office of Drug Control Policy:		
ARRA - Southern Michigan Information Alliance	16.803	145,000
ARRA - Osborn Safe Neighborhood Project	16.803	576,333
Osborn Safe Neighborhood Project	16.803	2,235
Passed through Elder Law of Michigan - End Violence Against Women in Later Life Project (EVA WILL)		
	16.528	2,250
Passed through United Way for Southeastern Michigan:		
Comprehensive Anti-Gang Initiative (CAGI)	16.744	110,571
Comprehensive Anti-Gang Initiative (CAGI)	16.744	57,400
Passed through Michigan State Police:		
Internet Crime Against Children Task Force	16.800	341,105
ARRA - Internet Crimes Against Children	16.800	50,000
Passed through State Court Administrative Office - ARRA - Michigan Mental Health Court Grant Program (MMHCGP)		
	16.803	<u>131,400</u>
Total U.S. Department of Justice		10,927,357

# Charter County of Wayne, Michigan

## Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2010

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Transportation:		
Passed through Michigan Department of Transportation:		
Highway Planning and Construction Cluster - Highway Planning and Construction (Note 3)	20.205	\$ 1,519,309
ARRA - Highway Planning and Construction (Note 3)	20.205	1,101,579
Highway Planning and Construction Cluster - Roadway Infrastructure Management System (RIMS)	20.205	310,284
Passed through Michigan Department of Community Health - Highway Planning and Construction Cluster - Safe Route To Schools	20.205	12,400
Passed through Michigan Department of State Police:		
Highway Safety Cluster - Safety Belt Enforcement Task Force	20.600	86,164
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	<u>9,510</u>
Total U.S. Department of Transportation		3,039,246
U.S. Department of Treasury - Passed through Michigan State Housing Development Authority - National Foreclosure Mitigation Counseling Grant	21.000	702,038
U.S. Environmental Protection Agency:		
Direct programs:		
Congressionally mandated projects	66.202	1,235,276
ARRA - Brownfield Pilots Cooperative Agreements	66.818	266,815
Brownfield Pilots Cooperative Agreements	66.818	385,768
Passed through Michigan Department of Treasury - Clean Water State Revolving Fund	66.458	1,157,442
Passed through Michigan Department of Environmental Quality:		
ARRA - Clean Water State Revolving Fund	66.458	10,153,784
Nonpoint Source Implementation Grants	66.460	339,012
Beach Monitoring and Notification Program	66.472	<u>3,782</u>
Total U.S. Environmental Protection Agency		13,541,879
U.S. Department of Energy:		
Passed through Michigan Department of Human Services - Weatherization Assistance Program	81.042	300,315
ARRA - Energy Efficiency Conservation Block Grant	81.128	<u>47,783</u>
Total U.S. Department of Energy		348,098

# Charter County of Wayne, Michigan

## Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2010

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Education:		
Passed through local universities -		
Federal Work Study - Prosecutor's Internship Program	84.033	\$ 21,316
Passed through Wayne County Regional Educational Service Agency:		
Early Intervention Services (IDEA) Cluster - ARRA - Part C Early On	84.393	8,100
Early Intervention Services (IDEA) Cluster - Part C Early On	84.181	179,648
Total U.S. Department of Education		209,064
U.S. Department of Health and Human Services:		
Direct programs:		
Substance Abuse and Mental Health Services Administration	93.243	85,569
Substance Abuse and Mental Health Services Administration	93.243	142,914
Head Start Cluster - Head Start	93.600	24,220,449
Head Start Cluster - ARRA Head Start	93.708	1,384,312
Passed through Area Agency on Aging:		
Aging Cluster - Senior Community Services Program	93.044	9,722
Aging Cluster - Nutrition Services	93.045	1,634,840
Aging Cluster - ARRA - Aging Home-Delivered Nutrition Services	93.705	259,510
Passed through Senior Alliance (Area Agency on Aging) - Aging Cluster -		
Nutrition Services	93.053	705,525
Passed through Michigan Department of Community Health:		
H1N1 Pandemic Flu	93.069	2,297,404
Bioterrorism Supplemental - Early Warning Infectious Disease	93.283	9,640
TB Control	93.116	45,613
Child Lead Poisoning Prevention	93.197	59,380
Family Planning Services	93.217	83,080
Immunization Cluster - Infant Immunization Initiative	93.268	166,486
Immunization Cluster - VFC Vaccines	93.268	1,339,070
Bioterrorism Supplemental	93.283	625,713
Obesity Prevention	93.283	17,820
Immunization Cluster - ARRA - Reaching More Children and Adults	93.712	22,556
Medicaid Cluster - Child Lead Poisoning	93.778	6,761
Medicaid Cluster - Medicaid Outreach & Advocacy	93.778	160,035
Medicaid Cluster - Crippled Children	93.778	439,124
AIDS Counseling and Testing	93.940	199,966
Expanded HIV Testing in High Prevalence Health Care Settings	93.940	316,331
Venereal Disease	93.977	137,092
Maternal and Infant Care	93.994	150,000
Child Lead Poisoning Testing	93.994	125,029
Oral Health Dental	93.994	769,896
Maternal and Child Health Services Block Grant	93.994	151,070

See Notes to Schedule of Expenditures  
of Federal Awards.

# Charter County of Wayne, Michigan

## Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2010

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
U.S. Department of Health and Human Services (Continued):		
Passed through Michigan Department of Human Services:		
TANF Cluster - Temporary Assistance for Needy Families	93.558	\$ 1,734,586
Title IV-D	93.563	14,084,133
ARRA - Title IV-D	93.563	5,890,547
Low Income Home Energy Assistance Program	93.568	184,133
Foster Care Title IV-E	93.658	661,049
Passed through the State Court Administrative Office (SCAO) - Access and Visitation Grant	93.597	<u>64,650</u>
Total U.S. Department of Health and Human Services		58,184,005
U.S. Department of Homeland Security:		
Passed through the Michigan State Police:		
Homeland Security Cluster - Homeland Security Grant Program	97.067	2,361,662
Emergency Management Performance Grants	97.042	45,537
Passed through the Michigan Department of Natural Resources - Boating Safety Financial Assistance	97.012	115,386
Passed through the Detroit Wayne County Port Authority - Port Security Grant Program	97.056	<u>107,510</u>
Total U.S. Department of Homeland Security		<u>2,630,095</u>
Total federal awards		<u><b>\$ 113,840,930</b></u>

# Charter County of Wayne, Michigan

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## Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2010

### **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, the Wayne County Airport Authority, and the Wayne County Land Bank Corporation. 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 County, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the County.

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

The Wayne County Youth Home receives funding for administration of commodities under the National School Lunch Program. Reimbursements for administration of the program are reported on the Schedule (CFDA Nos. 10.553 and 10.555). There were no commodity food items received during the fiscal year. The Emergency Food Assistance Program (TEFAP) also receives funding for administration of commodities. The program is reported on the Schedule (CFDA No. 10.568). The value of commodities received for TEFAP during the fiscal year was \$1,199,067.

### **Note 3 - Highway Planning and Construction Program**

The County participates in 36 federally funded and 14 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 \$9,749,499 for the federally funded and \$10,167,663 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, 2010

### Note 4 - Subrecipient Awards

Of the federal expenditures presented in the schedule of expenditures of federal awards, the Charter County of Wayne, Michigan provided federal awards to various subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant CDBG - Hamtramck Section 108 Loan - Grand Haven	14.218 14.218	\$ 4,311,819 96,029
CDBG - Hamtramck Section 108 Loan - Joseph Campau	14.218	90,744
ARRA - Community Development Block Grant Recovery Act Funds	14.253	655,700
Neighborhood Stabilization Program	14.218	4,989,513
Home Investment Partnership	14.239	692,743
Justice Assistance Grants	16.738	2,841,818
Congressionally Mandated Projects	66.202	964,052
Headstart	93.600	20,242,514
ARRA - Headstart	93.708	1,306,507
Homeland Security	97.067	328,448

### 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 CDBG housing portion received by the County of Wayne is disclosed on the schedule of expenditures of federal awards under CFDA 14.218.

# **Charter County of Wayne, Michigan**

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## **Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2010**

### **Note 5 - HUD Section 108 Loans (Continued)**

The expenditures related to the 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 2010, the County received 20 federal awards under the American Recovery and Reinvestment Act of 2009 (ARRA). Expenditures of \$24,670,608 were incurred during 2010 and are shown on the Schedule identified with the prefix "ARRA" as required under OMB Circular A-133.

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

A federally funded revolving loan subgrant 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 businesses and businesses in distressed communities. Under terms of the loan agreement, at least 75 percent of the funds in this program must be loaned or committed for loans. The amount of the expenditure reported in the Schedule is calculated based on the formula provided in the OMB Circular A-133 compliance supplement.

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs Year Ended September 30, 2010

### 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 program(s):

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  Yes  None reported
- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?  Yes  No

Type of auditor's report issued on compliance for major programs (each major program listed separately below)

Identification of major program(s):

CFDA Numbers	Name of Federal Program or Cluster	Opinion
14.218 and 14.253	Community Development Block Grant Entitlement Cluster	Unqualified
93.600 and 93.708	Headstart Cluster	Unqualified
93.563	Title IV-D Child Enforcement	Unqualified
16.738	Justice Assistance Grant	Unqualified
14.239	Home Investment Partnership	Unqualified
66.458	Clean Water State Revolving Fund Cluster	Unqualified

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

Auditee qualified as low-risk auditee?  Yes  No

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2010

### Section II - Financial Statement Audit Findings

Reference Number	Findings
2010-1	<p><b>Net Other Postemployment Benefits Obligation</b></p> <p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - Statement Number 45 of the Governmental Accounting Standards Board requires governmental entities to use an investment return assumption in their retiree healthcare actuarial valuation that approximates the estimated long-term investment yield on the investments that are expected to be used to finance the payment of benefits. Subsequent to the initial valuation, Paragraph 13(c) of Statement 45 requires plans that have no assets specifically set aside for payment to utilize the assets of the employer to estimate this rate of return. GASB 45 provided that for the initial valuation only, an employer could use an investment return assumption based on an intention to prefund the liability.</p> <p><b>Condition</b> - During fiscal year 2010, the County obtained actuarial valuations for the Wayne County Health and Welfare Benefit Plan and the Wayne County Pre-2002 Health and Welfare Benefit Plan as of October 1, 2008. The actuarial valuations used an investment rate of return assumption of 8 percent, which was based on the intention of management to fund a retiree healthcare trust in the future; however, since the County has not set aside assets specifically for the payment of future retiree healthcare benefits, GASB 45 requires the use of the rate of return that is expected to be earned on the County's general assets. Since the County is subject to more restricted constraints on the investment of its general assets, the rate of return would be much lower than what would be earned on a healthcare trust, which would be permitted to invest assets under Public Act 314 of 1965. After we discussed this concern with management, the County obtained updated actuary reports that use an investment rate of return assumption of 4 percent.</p> <p><b>Cause</b> - Management used an assumed rate of return based on expected future funding; however, GASB 45 requires using a rate of return based on the current assets of the employer because no prefunding has occurred.</p>

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2010

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

Reference Number	Findings
2010-1 (Continued)	<p><b>Effect</b> - The actuarial accrued liability and the actuarially required contribution that were calculated in the original actuarial valuations were understated by a material amount. The updated valuations received as a result of the audit indicated the annual required contribution was \$87.8 million as opposed to the previous calculation of \$62.3 million. As a result, an adjustment was made to increase the retiree healthcare expense and the net OPEB obligation reported in the government-wide statements. The updated valuations also resulted in the unfunded actuarial accrued liability disclosed in the footnotes increasing from \$838.9 million to \$1.5 billion.</p> <p><b>Recommendation</b> - We recommend the County continue to use an assumed rate of return based on the County's general assets unless assets are set aside in a healthcare trust. If the County begins prefunding the plan, then it would be appropriate to use a blended rate of return based on the percentage of funding for any subsequent valuations.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The County is only in the third year of GASB 45 implementation. Clearly, management was moving toward full implementation when the market collapsed. There is no real action that management could have taken unilaterally to prefund. Action has been limited by state legislation, the County's mounting deficits, uncertainty regarding the new federal healthcare act, as well as the market. In the meantime, the County has established a Retiree Health Care Trust and is in the process of obtaining IRS approval. No contributions have been made to the trust as of September 30, 2010. Management understands that the rate of return on general assets is an appropriate discount rate assumption for future funding and liability valuations until such time as the trust holds assets. At that time, the County will consider an appropriate blended rate that reflects the proportionate amounts of plan and employer assets expected to be used.</p>

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2010

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

Reference Number	Findings
2010-2	<p><b>Borrowing of Pooled Cash and Investments</b></p> <p><b>Finding Type</b> - Potential noncompliance with laws and regulations, material to the financial statements</p> <p><b>Criteria</b> - 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 resources out of the common cash pool than they had provided in resources, which resulted in "negative equity" in the cash pool. The County has been able to meet its financial obligation through this management tool, which potentially may have loaned restricted cash and investments to the funds or component units that have large negative equity in the pooled cash. Negative equity in pooled cash totaled \$234 million at September 30, 2010. While much of this may have been used from unrestricted funds, it is unclear if the negative equity is in excess of any unrestricted resources.</p> <p><b>Cause</b> - The County pools cash from various sources. Over time, certain funds and component units have been allowed to spend more cash than they contributed to the pool.</p> <p><b>Effect</b> - There is the potential that the County has allowed use of pooled restricted cash to manage its cash needs.</p> <p><b>Recommendation</b> - The County should review any restrictions that may apply to the various funding sources and consult an attorney to determine which funds are available for use.</p>

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2010

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

Reference Number	Findings
2010-2 (Continued)	<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 revenue 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. A careful analysis will be made of the various funds held by the County to determine what diversions can legally be made and, more importantly, how limitations on the uses of funds will affect the true available cash position of the County. Additionally, the County will seek a legal opinion about this matter during fiscal year 2010-11.</p>

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2010

### Section III - Federal Program Audit Findings

Reference Number	Findings
2010-3	<p><b>Program Name</b> - Community Development Block Grant, CFDA #14.218, Home Investment Partnership, CFDA #14.239 and Highway Planning and Construction Cluster, CFDA #20.205 - Passed through Michigan Department of Transportation</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). In addition, these expenditures should be supported by the general ledger.</p> <p><b>Condition</b> - The SEFA included adjustments related to expenditures and other transactions that occurred in previous years, expenditures from program income, and expenditures not applied to grant programs, resulting in revisions to the SEFA in the amount of \$353,514.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - The adjustments made to the schedule of expenditures of federal awards affected major program selection for one grant and scope of testing on another.</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.</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> - An additional procedure will be added to the grants reconciliation checklist. The procedure will require an examination of the period in which the expenditure was incurred to ensure that it is reported properly in the schedule of expenditures of federal awards.</p>

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2010

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

Reference Number	Findings
2010-4	<p><b>Program Name</b> - Highway Planning and Construction Cluster - Roadway Infrastructure Management System (RIMS), CFDA #20.205, U.S. Department of Transportation - Other Nonmajor Program</p> <p><b>Pass-through Entity</b> - Michigan Department of Transportation</p> <p><b>Finding Type</b> - Significant deficiency/Material noncompliance</p> <p><b>Criteria</b> - A-102 Common Rule requires that for contracts and subawards greater than \$25,000, the required suspension and debarment certifications are received. In addition, the Rule requires certain procedures to be followed in awarding contracts.</p> <p><b>Condition</b> - For this grant, the County utilizes the services of cooperatives to perform vendor selection as the members of cooperatives benefit from lower costs and did not obtain evidence that the proper procurement procedures and required suspension and debarment certification were obtained related to these awards.</p> <p><b>Questioned Costs</b> - Unknown</p> <p><b>Context</b> - The County did not review the procurement process to ensure that requirements under A-102 Common Rule were properly complied with in relation to contract awards and suspension and debarment for contracts or subawards for goods or services greater than \$25,000. Subsequently, the County has confirmed that none of the vendors were listed on the Government Services Administration electronic database as being suspended or debarred.</p> <p><b>Cause and Effect</b> - Internal control procedures over procurement processes and suspension and debarment requirements did not operate effectively as required compliance requirements were not addressed and adequately documented. Inadequate monitoring of procurement processes and suspension and debarment by agencies entering into contracts on the County's behalf could cause funds to be disbursed to vendors who are not eligible to have goods or services purchased with federal monies.</p>

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2010

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

Reference Number	Findings
2010-4 (Continued)	<p data-bbox="414 567 1437 672"><b>Recommendation</b> - Internal control procedures should be initiated and enforced to ensure that the appropriate procurement requirements are being followed, including receipt of suspension and debarment certifications.</p> <p data-bbox="414 714 1437 861"><b>Views of Responsible Officials and Planned Corrective Actions</b> - The County's manual process for identifying grant-funded procurements is being replaced with an automated process that will prevent oversights such as this from occurring.</p> <p data-bbox="414 903 1437 1092">The County's new Service Request System (SRS) is in the early stages of development. The SRS is a combination of a procurement request and approval routing system, and a document management program. This system will replace systems that currently require a mix of automated and manual processes. All procurements will route through the SRS.</p> <p data-bbox="414 1134 1437 1396">Requirements established for the SRS during the initial design phase include a grant component wherein procurements using grant funds are identified, grant staff reviews the procurement for grant compliance, and relevant documents are stored for the procurement. Once the SRS flags a procurement that utilizes federal or state funding, an award cannot be finalized until the procurement has grant staff approval, reflecting that all requirements, including performance of a debarment check, are met.</p>

# Charter County of Wayne, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2010

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

Reference Number	Findings
2010-5	<p data-bbox="422 577 1388 619"><b>Program Name</b> - Community Development Block Grant, CFDA #14.218</p> <p data-bbox="422 661 1209 703"><b>Finding Type</b> - Significant deficiency/Material noncompliance</p> <p data-bbox="422 724 1437 882"><b>Criteria</b> - A-102 Common Rule requires reporting of activities to the cognizant agency, and these activities should be supported by the County's general ledger. The County is required to submit a comprehensive annual performance report (CAPR) to HUD annually for the grant year.</p> <p data-bbox="422 903 1437 976"><b>Condition</b> - The County did not maintain support for the reconciliation of expenditures reported in the CAPR.</p> <p data-bbox="422 1008 779 1050"><b>Questioned Costs</b> - None</p> <p data-bbox="422 1081 1437 1155"><b>Context</b> - The County has submitted the CAPR without reviewing for unreconciled differences from the general ledger.</p> <p data-bbox="422 1186 1437 1480"><b>Cause and Effect</b> - The grant year end is June 30, and the County fiscal year end is September 30, thereby creating the time period covered by the CAPR spanning two County fiscal years. Due to the inconsistent time frame, the County reconciles the IDIS drawdown request submitted to HUD to the general ledger and CAPR expenditures. The County did not maintain the reconciliation performed in conjunction with preparation of the CAPR. Since the reconciliation was not available to support the expenditures in the CAPR, the auditors could not verify that the information is accurate.</p> <p data-bbox="422 1512 1437 1659"><b>Recommendation</b> - The County should maintain the reconciliation and supporting documentation for the CAPR reconciliation to the general ledger to ensure amounts reported are properly supported, prior to submission to HUD.</p> <p data-bbox="422 1690 1437 1953"><b>Views of Responsible Officials and Planned Corrective Actions</b> - The person that prepared the CAPR no longer works for the County and subsequently it could not be determined how she had arrived at the CAPR figures reported compared to the general ledger. In the future the CAPR reconciliation will be maintained electronically and will be accessible by responsible individuals and will be reviewed by the Director of Economic Development prior to transmittal to HUD.</p>



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