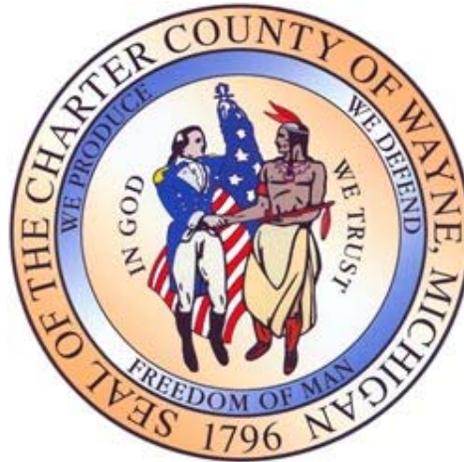


CHARTER COUNTY  
OF WAYNE,  
MICHIGAN



Year Ended  
September 30, 2015

Single Audit Act  
Compliance

This page intentionally left blank.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Table of Contents

	<u>Page</u>
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	1
Schedule of Expenditures of Federal Awards	3
Notes to Schedule of Expenditures of Federal Awards	7
Independent Auditors' Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	11
Independent Auditors' Report on Compliance for Each Major Federal Program and Internal Control over Compliance Required by OMB Circular A-133	13
Schedule of Findings and Questioned Costs	17
Summary Schedule of Prior Audit Findings	35



This page intentionally left blank.

INDEPENDENT AUDITORS' REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY OMB CIRCULAR A-133

March 24, 2016

Honorable Members of the Wayne County Commission  
and the County Executive of the Charter County of Wayne  
Detroit, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *Charter County of Wayne, Michigan* (the "County"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 24, 2016, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



This page intentionally left blank.

CHARTER COUNTY OF WAYNE, MICHIGAN

**Schedule of Expenditures of Federal Awards**  
For the Year Ended September 30, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Agriculture				
Special Supplemental Food - WIC	10.557	MDHHS	IW100342	\$ 3,382,792
Special Supplemental Food - WIC	10.557	MDHHS	IW500342	79,726
				<u>3,462,518</u>
Child Nutrition Cluster-				
Summer Food Service Program For Children	10.559	Direct	-n/a-	<u>84,956</u>
Emergency Food Assistance Cluster:				
Non-Cash Assistance -				
Entitlement commodities	10.568	MDE	82-000-1030-c	1,036,416
Cash Assistance -				
Emergency Food Assistance Program	10.568	MDE	82-000-1030-c	211,828
				<u>1,248,244</u>
Urban and Community Forestry Program	10.675	Direct	12-DG11420004-013	<u>3,483</u>
Total U.S. Department of Agriculture				<u>4,799,201</u>
U.S. Department of Commerce				
Economic Development Cluster-				
Urban Loan Fund	11.307	MSHDA	06-19-01905	1,315,192
Habitat Conservation	11.463	Direct	NA11NMF4630146	<u>4,485</u>
Total U.S. Department of Commerce				<u>1,319,677</u>
U.S. Department of Housing and Urban Development				
Community Development Block Grant/Entitlement Grant Cluster:				
2010 Community Development Block Grant	14.218	Direct	B-10-UC-26-0003	857,748
2011 Community Development Block Grant	14.218	Direct	B-11-UC-26-0003	708,114
2012 Community Development Block Grant	14.218	Direct	B-12-UC-26-0003	1,361,963
2013 Community Development Block Grant	14.218	Direct	B-13-UC-26-0003	945,707
2014 Community Development Block Grant	14.218	Direct	B-14-UC-26-0003	1,502,476
Neighborhood Stabilization Program 1	14.218	Direct	B-08-UN-26-0006	118,042
				<u>5,494,050</u>
Emergency Shelter Grant Programs -				
2012 - Emergency Shelter Grant (McKinney Act for the Homeless)	14.231	Direct	E-12-UC-26-0003	<u>425,589</u>
HOME Investment Partnerships Program	14.239	Direct	M-12-DC260213	<u>4,151,399</u>
Supplemental Assistance to the Homeless	14.267	Direct	MI0101L5F021305	<u>132,492</u>
Lead -Based Paint Hazard Control Grant	14.900	Direct	MILHD0164-07	<u>159,935</u>
Total U.S. Department of Housing and Urban Development				<u>10,363,465</u>
U.S. Department of Justice				
Juvenile Justice Accountability Block Grant	16.523	COD	2012-DJ-BX-0730	3,000
Juvenile Justice Accountability Block Grant	16.523	MDHHS	JAIBG-12-82001	47,266
				<u>50,266</u>
National Institute of Justice Research, Evaluation & Development	16.560	SADO	-n/a-	795
Project Sexual Assault Kit Evidence	16.560	SADO	2011-DN-BX0001	66,115
				<u>66,910</u>

continued...

CHARTER COUNTY OF WAYNE, MICHIGAN

**Schedule of Expenditures of Federal Awards**  
For the Year Ended September 30, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Justice (continued)				
Crime Victim Assistance	16.575	MDHHS	2014-VA-GX-0046	\$ 724,028
Crime Victim Assistance	16.575	MDHHS	20093-17V12	310,696
				<u>1,034,724</u>
Drug Court Discretionary Grant Program	16.585	COD	2014-DC-BX-0086	<u>69,217</u>
Grants to Encourage Arrest Policies & Enforcement of Protection Orders	16.590	Direct	2013-WE-AX-0043	<u>202,603</u>
State Criminal Alien Assistance Program	16.606	Direct	2013-AP-BX-0784	<u>50,941</u>
Project Safe Neighborhoods	16.609	CAS	2012-GP-BX-0011	<u>36,935</u>
JAG Cluster:				
Edward Byrne Memorial Justice Assistance Grant Programs:				
2010 - Edward Byrne Memorial Justice Assistance Grant Program	16.738	Direct	2010-DJ-BX-1068	1,400,670
2011 - Edward Byrne Memorial Justice Assistance Grant Program	16.738	Direct	2011 DJ BX 2481	914,558
2012 - Edward Byrne Memorial Justice Assistance Grant Program	16.738	Direct	2012-DJ-BX-0730	609,488
2013 - Edward Byrne Memorial Justice Assistance Grant Program	16.738	Direct	2013-DJ-BX-0503	194,845
Edward Byrne Memorial Justice Assistance Grant	16.738	SCAO	2014-H3675-MI-DJ	146,303
				<u>3,265,864</u>
Byrne Criminal Justice Innovation Program	16.817	DCC	2012-AJ-BX-0002	<u>44,891</u>
Federal Forfeited Property	16.922	Direct	-n/a-	<u>51,393</u>
Total U.S. Department of Justice				<u>4,873,744</u>
U.S. Department of Transportation				
Highway Planning & Construction Cluster - Highway Planning and Construction	20.205	MDOT	-n/a-	<u>1,880,119</u>
Highway Safety Cluster - Safety Belt Enforcement Task Force	20.616	MSP	PT-15-24	<u>86,644</u>
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	MSP	HM-HMP-0439-14-01-00	<u>16,401</u>
Total U.S. Department of Transportation				<u>1,983,164</u>
U.S. Environmental Protection Agency				
Great Lakes Restoration Initiative	66.454	MDEQ	2011-0104	<u>105,650</u>
State Revolving Funds - System Improvement Program	66.458	MDEQ	5430-02	173,533
State Revolving Funds - System Improvement Program	66.458	MDEQ	5402-01	350,639
State Revolving Funds - System Improvement Program	66.458	MDEQ	5419-01	1,275,058
State Revolving Funds - System Improvement Program	66.458	MDEQ	5416-01	1,770,053
				<u>3,569,283</u>
Great Lakes Restoration Initiative	66.469	Direct	-n/a-	<u>30,399</u>

continued...

CHARTER COUNTY OF WAYNE, MICHIGAN

**Schedule of Expenditures of Federal Awards**  
For the Year Ended September 30, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Environmental Protection Agency (continued)				
Beach Monitoring and Notification Program	66.472	MDEQ	-n/a-	\$ 2,500
Brownfield Pilots Cooperative Agreements	66.818	Direct	BF97509402	441,952
Total U.S. Environmental Protection Agency				4,149,784
U.S. Department of Education				
Special Education - Parent Information Centers	84.181	WCRESA	-n/a-	197,300
U.S. Department of Health and Human Services				
Medical Reserve Corps Small Grant Program	93.008	NACC	MRC14-2539	3,500
Aging Cluster:				
Nutrition Services	93.045	AAA	1C-CM-01-2010	1,500,217
Nutrition Services	93.053	SA	1C-CM-01-2010	596,277
				2,096,494
Hospital Preparedness & Public Health Emergency Preparedness	93.069	MDHHS	U90TP000528	200,701
Public Health Emergency Preparedness - Ebola Funding	93.069	MDHHS	U90TP000528	15,892
CPBC - Emergency Preparedness (EMP)	93.069	MDHHS	U90TP000529	292,234
				508,827
Food and Drug Administration Research	93.103	MDHHS	791N4300140	5,000
Health Center Cluster -				
Federally Qualified Health Center (FQHC)	93.224	Direct	1H80CS24135-01-00	1,482,547
Substance Abuse and Mental Health Services	93.243	Direct	1H79T1025493-01	114,184
Immunization Cluster:				
Immunization Billing Practice Infrastructure Enhancement	93.268	MDHHS	1H23IP000940-01	3,346
Infant Immunization Initiative	93.268	MDHHS	H23CCH522556	499,793
VFC Vaccines	93.268	MDHHS	-n/a-	951,183
				1,454,322
West Nile Virus Community Surveillance	93.323	MDHHS	1U50CK000369-01	2,192
Affordable Care Act Maternal, Infant, and Early Childhood Home Visiting Program	93.505	MDHHS	1X02MC231100100	226,020
Title IV-D - Friend of the Court and Prosecuting Attorney	93.563	MDHHS	CSCOM-13-82003	16,631,578
Title IV-D - Incentive Payments	93.563	MDHHS	CSCOMB-09-82003	2,487,627
				19,119,205
Access and Visitation Grant	93.597	SCAO	SCAO2014-030	37,120

continued...

CHARTER COUNTY OF WAYNE, MICHIGAN

**Schedule of Expenditures of Federal Awards**  
For the Year Ended September 30, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (continued)				
Head Start Cluster:				
Head Start	93.600	Direct	05CH8299/03	\$ 1,498,285
Head Start	93.600	Direct	05CH8299/04	1,014,272
Head Start	93.600	Direct	05CH8257/16	14,840,355
Head Start	93.600	Direct	05CH8257/17	7,876,948
Early Head Start	93.600	Direct	05CH8257/16	2,100
Early Head Start	93.600	Direct	05CH8257/17	1,705
				<u>25,233,665</u>
Medicaid Cluster:				
Medicaid Outreach & Advocacy	93.778	MDHHS	05U05M15ADM	67,669
Crippled Children	93.778	MDHHS	05U05M15ADM	521,113
				<u>588,782</u>
AIDS Counseling and Testing	93.940	MDHHS	U62PS003671	<u>112,480</u>
Preventive Health Services - Sexually Transmitted Disease	93.977	MDHHS	1H25PS001338	<u>106,970</u>
Preventative Health and Health Services Block Grant	93.991	MDHHS	B1 MI PRVS	<u>6,021</u>
Maternal and Child Health Services Block Grant	93.994	MDHHS	B1MIMCHS	<u>987,700</u>
<b>Total U.S. Department of Health and Human Services</b>				<u><b>52,085,029</b></u>
U.S. Department of Homeland Security				
Boating Safety Financial Assistance	97.012	MDNR	-n/a-	<u>73,850</u>
Disaster Grants - Presidentially Declared Disasters	97.036	MSP	FEMA-4195DR-MI	<u>31,419</u>
Emergency Management Performance Grants	97.042	MSP	EMW-2015-EP-00029-S01	<u>53,230</u>
Pre-Disaster Mitigation	97.047	MSP	LPDM-PJ-05-MI-2009-004	<u>95,775</u>
Homeland Security Cluster:				
Homeland Security Grant Program	97.067	MSP	EMW-2014-SS-00059	92,844
Homeland Security Grant Program	97.067	MSP	-n/a-	71,660
Homeland Security Grant Program	97.067	MSP	2013 HSGP	698,870
Homeland Security Grant Program	97.067	MSP	2014 HSGP	69,316
				<u>932,690</u>
Border Interoperability Demonstration Project	97.120	MSP	2011-PD-120-0005-02/03	<u>711,533</u>
<b>Total U.S. Department of Homeland Security</b>				<u><b>1,898,497</b></u>
<b>Total Expenditures of Federal Awards</b>				<u><b>\$ 81,669,861</b></u>
				concluded.

See notes to schedule of expenditures of federal awards.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of the Charter County of Wayne, Michigan (the “County”) under programs of the federal government for the year ended September 30, 2015. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County.

The County’s reporting entity is defined in Note 1 of the County’s Comprehensive Annual Financial Report. The County’s financial statements include the operations of the Wayne County Airport Authority, HealthChoice of Michigan, Greater Wayne County Economic Development Corporation and Wayne County-Detroit Community Development Entity, Inc., discretely presented component units, which may have received federal awards that are not included in the Schedule for the year ended September 30, 2015, as the entities were separately audited.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the County’s financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The County has elected not to early-implement the revised cost principles of the Uniform Guidance for grants awarded before December 26, 2014. For grants awarded on or after December 26, 2014, expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

### 3. HIGHWAY PLANNING AND CONSTRUCTION PROGRAM

The County participates in 35 federally-funded separate road, street and bridge construction and repair projects, which are primarily administered by the Michigan Department of Transportation (MDOT). The projects, which are controlled by MDOT, are recorded in the County’s general ledger and amounted to \$13,381,535. The federal financial assistance administered directly by MDOT has not been included in the tests of compliance with laws and regulations associated with the County’s Single Audit and is not included in the Schedule.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

### 4. SUBRECIPIENTS

The County administers certain federal awards programs through subrecipients. Those subrecipients are not considered part of the County's reporting entity. Of the federal expenditures presented in the Schedule, the County provided federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount Provided
WIC - Special Supplemental Food	10.557	\$ 943,880
Community Development Block Grant	14.218	4,632,345
Home Investment Partnership	14.239	1,887,629
Justice Assistance Grant (JAG)	16.738	2,330,458
Head Start	93.600	22,538,517
Homeland Security	97.067	102,041
		\$ 32,434,870

### 5. URBAN LOAN FUND (CFDA 11.307)

A federally-funded revolving loan subgrant was received by the County from the State of Michigan in 1992. Beginning with the year ended September 30, 2011, the County assumed the administration of these funds. The funds are utilized to promote economic development for minority business and business in distressed communities. Under terms of the loan agreement, at least 75 percent of the funds in this program must be loaned or committed for loans. The amount of the expenditure reported in the Schedule is calculated based on the formula provided in the *OMB Circular A-133 Compliance Supplement* and is as follows:

(1) Balance of ULF loans outstanding at the end of the fiscal year:	\$ 675,146
(2) Cash and investment balance	589,152
(3) Administrative expenses paid out of ULF income	-
(4) Unpaid principal of all loans written off during the fiscal year	50,894
Sum of (1) through (4)	1,315,192
Federal share of the ULF	100%
Amount reported as expenditures on the SEFA	\$ 1,315,192

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

### 6. PASS-THROUGH AGENCIES

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

Pass-through Agency Abbreviation	Pass-through Agency Name
AAA	Area Agency on Aging
CAS	Children's Aid Society
COD	City of Detroit
DCC	Detroit Crime Commission
MDE	Michigan Department of Education
MSHDA	Michigan State Housing Development Authority
MDHHS	Michigan Department of Health and Human Services
MDOT	Michigan Department of Transportation
MDEQ	Michigan Department of Environmental Quality
MDNR	Michigan Department of Natural Resources
MSP	Michigan State Police
NACC	National Association of County and City
SADO	State Appellate Defender Office
SA	Senior Alliance
SCAO	State Court Administrative Office
WCRESA	Wayne County Regional Educational Service Agency



This page intentionally left blank.

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

March 24, 2016

Honorable Members of the Wayne County Commission  
and the County Executive of the Charter County of Wayne  
Detroit, Michigan

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *Charter County of Wayne, Michigan* (the "County"), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 24, 2016. Our report includes a reference to other auditors who audited the financial statements of the Wayne County Airport Authority, HealthChoice of Michigan, Greater Wayne County Economic Development Corporation, and Wayne County-Detroit Community Development Entity, Inc., as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified 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 items 2015-001 and 2015-002 to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-003 to be a significant deficiency.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Charter County of Wayne’s Response to Findings**

The County’s responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County’s responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County’s internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity’s internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

March 24, 2016

Honorable Members of the Wayne County Commission  
and the County Executive of the Charter County of Wayne  
Detroit, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of the *Charter County of Wayne, Michigan* (the "County") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2015. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Wayne County Airport Authority, which received \$9,300,426 in federal awards, and which is not included in the schedule of expenditures of federal awards for the year ended September 30, 2015. Our audit, described below, did not include the operations of the Wayne County Airport Authority because it arranged for a separate audit in accordance with A-133.

The County's basic financial statements also include the operations of HealthChoice of Michigan, Greater Wayne County Economic Development Corporation and Wayne County-Detroit Community Development Entity, Inc., which may have received federal awards that are not included in the schedule of expenditures of federal awards for the year ended September 30, 2015, inasmuch as they arranged for separate financial statement audits and did not meet the criteria for a single audit in accordance with A-133, as expenditures of directly administered federal awards did not exceed \$500,000.

*Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

### *Independent Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

#### *Basis for Qualified Opinion on the WIC program (CFDA 10.557)*

As described in items 2015-004, 2015-005, 2015-006 and 2015-011 in the accompanying schedule of findings and questioned costs, the County did not comply with the Allowable Costs/Cost Principles and Subrecipient Monitoring requirements applicable to its WIC program. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to this program.

#### *Basis for Qualified Opinion on the CDBG program (CFDA 14.218)*

As described in items 2015-006, 2015-009 and 2015-012 in the accompanying schedule of findings and questioned costs, the County did not comply with the Allowable Costs/Cost Principles, Procurement and Subrecipient Monitoring requirements applicable to its CDBG program. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to this program.

#### *Basis for Qualified Opinion on the HOME program (CFDA 14.239)*

As described in items 2015-009 and 2015-013 in the accompanying schedule of findings and questioned costs, the County did not comply with the Procurement and Subrecipient Monitoring requirements applicable to its HOME program. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to this program.

#### *Basis for Qualified Opinion on the JAG program (CFDA 16.738)*

As described in items 2015-004 and 2015-014 in the accompanying schedule of findings and questioned costs, the County did not comply with the Allowable Costs/Cost Principles and Subrecipient Monitoring requirements applicable to its JAG program. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to this program.

### *Qualified Opinion on the WIC, CDBG, HOME and JAG programs*

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraphs, the County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on its WIC, CDBG, HOME and JAG programs for the year ended September 30, 2015.

### *Unmodified Opinion on Each of the Other Major Federal Programs*

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs for the year ended September 30, 2015.

### *Other Matters*

The results of our auditing procedures disclosed other instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 which are described in the accompanying schedule of findings and questioned costs as items 2015-007, 2015-008 and 2015-016. Our opinion on each major federal program is not modified with respect to these matters.

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

### **Report on Internal Control Over Compliance**

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-004, 2015-005, 2015-006, 2015-009, 2015-011, 2015-012, 2015-013 and 2015-014 to be material weaknesses.

*A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2015-008, 2015-010, 2015-015 and 2015-016 to be significant deficiencies.

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

#### *Purpose of this Report*

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Rehmann Lobson LLC*

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?  X  yes   no

Significant deficiency(ies) identified?  X  yes   none reported

Noncompliance material to financial statements noted?   yes  X  no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified?  X  yes   no

Significant deficiency(ies) identified?  X  yes   none reported

Type of auditors' report issued on compliance for major programs: See opinion for each major program below

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?  X  yes   no

#### Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion</u>
10.557	Special Supplemental Food Program for Women, Infants and Children (WIC)	Qualified
14.218	Community Development Block Grant Entitlement Cluster	Qualified
14.239	HOME Investment Partnership	Qualified
16.738	Edward Byrne Memorial Justice Assistance Grant Program	Qualified
66.458	Capitalization Grants for Clean Water State Revolving Funds	Unmodified
93.563	Title IV-D Child Support Enforcement	Unmodified
93.600	Head Start	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs: \$ 2,450,096

Auditee qualified as low-risk auditee?   yes  X  no

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2015-001 - Accounting for Capital Assets

**Finding Type.** Material weakness in internal control over financial reporting

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

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

**Cause.** There has been turnover at the County during the fiscal year and temporarily assigned individuals have had to learn how to use the module and prepare the schedules. Many of the conditions we noted were mainly due to clerical error or technical software issues.

**Effect.** The County has not maintained or reconciled accurate reports for capitals assets, requiring additional audit work.

**Recommendation.** We recommend that the County identify personnel whose responsibility is to maintain the capital asset records, review the capital asset activity and reconcile the activity among the various sources throughout the year. Also, an upgrade to the accounting software, including the capital assets module, to current technology would significantly improve the situation.

**View of Responsible Officials.** Management concurs with the financial statement finding. Management intends to address the issue by hiring a contractor with expertise in JD Edwards fixed assets to help clean up a decade or so of deficient fixed asset records. In addition to the cleanup of historical records we intend for the contractor to help train at least two County employees.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

### SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

#### 2015-002 - Material Audit Adjustments

**Finding Type.** Material weakness in internal control over financial reporting

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

**Condition.** During our audit, we identified and proposed various adjustments (which were approved and posted by management) that were material, either individually or in the aggregate to the County's financial statements.

**Cause.** Existing year-end closing procedures did not detect certain adjustments necessary to properly record year-end balances.

**Effect.** As a result, the following areas were initially misstated:

- Property taxes receivable and deferred inflows related to the judgment levy were understated by approximately \$5,600,000.
- General fund inventory for the Sheriff's department was overstated by approximately \$923,000.
- Brownfield fund liabilities and expenditures were understated by \$76,596.
- Roads fund liabilities and expenditures were understated by \$250,000.

**Recommendation.** We recommend that the County take steps to ensure that all year-end adjustments are identified and posted for financial reporting purposes.

**View of Responsible Officials.** Management concurs with the financial statement finding. The County incurred a significant turnover of management and a significant number of staff retirements which caused a drain of institutional knowledge including gaps in the year end close process. Management is in the process of documenting known annual year-end closing entries to reduce the potential of entries not being addressed in the future.

- Property taxes receivable - The amount unrecorded was related to the judgment levy for the repayment of the 13th check lawsuit. This was a onetime activity with little likelihood of a recurrence.
- Sheriff's department inventory - Management and Budget will review the inventory reports generated by the Sheriff's department at year end for reasonableness of inventory value.
- Brownfield liability - Management and Budget has assigned personnel to the accounting of the Brownfield which has more experience with the fund.
- Roads liability - The year end search for unrecorded liabilities will be modified in an effort to capture and record all year end liabilities.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

### SECTION II - FINANCIAL STATEMENT FINDINGS (Concluded)

#### 2015-003 - Charter Reporting Requirement

**Finding Type.** Significant deficiency in internal control over financial reporting

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

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

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

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

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

**View of Responsible Officials.** Management concurs with the financial statement finding. The current level of staff, the use of an antiquated accounting system, and a lack of urgency from certain departments all contributed to the financial statements not being issued prior to the Charter mandate. Management is intent on hiring staff for open positions vacated through retirements and internal promotions. A request for proposals is being drafted to replace our current accounting and human capital management systems.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

### SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

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

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

Federal programs:

*Direct -*

- Edward Byrne Memorial Justice Assistance Grant Program (JAG) (CFDA# 16.738); U.S. Department of Justice; Project numbers 2013-DJ-BX-0503 and 2012-DJ-BX-0730

*Pass-through Michigan Department of Community Health -*

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

Criteria. OMB Circular A-87 requires the County to support payroll charged to federal cost objectives with adequate documentation including personnel activity reports for employees who are either 100% charged to a single federal cost objective or who split their time between multiple cost objectives, or semi-annual payroll certifications for those charged to a single federal cost objective. Personnel activity reports must reflect an after-the-fact distribution of the actual activity of each employee, account for the total activity of each employee, and be prepared at least monthly to coincide with one or more pay periods. Budget estimates may be used for interim reporting, but they must be compared quarterly with actual results, and adjustments must be made, accordingly.

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

Cause. This appears to have been caused by a combination of the complex and manual payroll processes that are different for each department responsible for managing grants, and the payroll system not allowing for time to be split by cost objective.

Effect. As a result of this condition, the County does not have appropriate payroll support for ten employees whose compensation was charged in whole or in part to federal awards.

Questioned Costs. Known questioned costs of \$23,148 were identified for the JAG program. Control deficiencies were noted for the WIC program, but no questioned costs were identified.

Recommendation. We recommend that the County implement procedures that standardize the payroll reconciliation process to ensure payroll is recorded in the general ledger in accordance with OMB Circular A-87 or the new Uniform Grant Guidance, as applicable.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

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

#### 2015-004 - Allowable Costs/Cost Principles - Payroll Documentation (Continued)

View of Responsible Officials. The Sheriff's Office was at a disadvantage with providing the Auditor detailed documentation requested because the staff person responsible for the JAG grant is on extended medical leave and the person performing his responsibilities could not find the paperwork. That being said the Sheriff's Office supports the recommendation that the County implement procedures that standardize the payroll reconciliation. The Sheriff's Office is implementing monthly documentation related to those positions that are paid for in whole or in part with federal JAG funds. Payroll documentation was provided for the four WIC employees. The documentation provided was from the former, paper system employees used to record time and activity worked in a program. Since June 1, 2015, all WIC employees are utilizing an electronic system for reporting time and activity worked in program.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

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

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

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

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

**Criteria.** Per OMB Circular A-87, charges to grants should be for actual costs (not based on estimated, budgeted or projected amounts).

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

**Cause.** This appears to be a result of the County overlooking this requirement when it entered into contracts with its subrecipients.

**Effect.** As a result of this condition, the County billed for costs from subrecipients that were not calculated in compliance with OMB Circular A-87.

**Questioned Costs.** Known questioned costs of \$943,880 were identified for the WIC program.

**Recommendation.** We recommend that the County modify its contracts to ensure that reimbursements to subrecipients are for actual costs.

**View of Responsible Officials.** The County is in the process of modifying the subrecipient contracts to a format of reimbursement based on actual costs and not on a fixed fee per client served. This finding has been repeated from an audit report prepared by the Michigan Department of Health and Human Services (State) dated February 2016. In the report finding number 2 describes that the County is reimbursing two service providers on a fee for service basis. The allowable basis is cost reimbursement. The State recommends that the County "amend subcontracts to ensure payment terms comply with applicable federal cost principles.....". Nowhere in the finding does the State question costs or ask for reimbursement of costs. We disagree with the auditors questioning costs over and above what the State pass-through entity requests in their audit report.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

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

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

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

Federal programs:

*Direct -*

- Community Development Block Grant (CDBG) (CFDA# 14.218); U.S. Department of Housing and Urban Development; Project number B-08-UN-26-0006

*Pass-through Michigan Department of Community Health -*

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

Criteria. Per OMB Circular A-87, charges to grants should be for actual costs (not based on estimated, budgeted or projected amounts).

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

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

Effect. As a result of this condition, the County failed to fully comply with the requirements of OMB Circular A-87, and was exposed to an increased risk of future noncompliance.

Questioned Costs. Known questioned costs of \$47,655 were identified for the CDBG program. Control deficiencies were noted for the WIC program, but no questioned costs were identified.

Recommendation. We recommend that the County modify its method for charging WIC and CDBG administration costs to the general ledger so that actual costs will be reflected in the business units without complex allocation adjustments. We also recommend that the County retain appropriate semi-annual certifications and personnel activity reports in accordance with OMB Circular A-87 for any payroll costs associated with these entries.

View of Responsible Officials. The current fiscal year administrative cost will be based on actual expenses in accordance with A-87 standards beginning October 1, 2015. These costs were treated similar to Central Services costs and were allocated based on a distribution formula. Since they are personnel costs annual certifications will be prepared or if necessary personnel activity reports will be obtained.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

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

#### 2015-007 - Written Policies Required by the Uniform Grant Guidance

Finding Type. Immaterial noncompliance

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

Criteria. The Uniform Grant Guidance requires a non-federal entity that has expended federal awards for a grant awarded on or after December 26, 2014 to have written policies pertaining to: 1) Payments (draws of federal funds and how to minimize the time lapsing between the receipt of federal funds and the disbursement to contractors/employees/subrecipients) (§200.302(6)); and 2) Allowability of costs charged to federal programs (§200.302(7)).

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

Cause. This condition appears to be the result of a time lag in identifying the requirement and developing a plan for compliance.

Effect. As a result of this condition, the County did not fully comply with the Uniform Grant Guidance applicable to the above noted grants.

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

Recommendation. We are aware that the County is evaluating options using internal and external resources to take corrective action. We recommend that the County proceed with its selected option as soon as practical, but no later than the end of fiscal year 2016.

View of Responsible Officials. The County uses the reimbursement method to pay sub-recipients for their costs associated with the grant. Contract states that the sub-recipient provides the invoice (Cost Control Report) by the 5th working day of the following month and the Grantee pays the sub-recipient by the 4th Friday of that month, thus adhering to 2 CFR 200.305 Payment. This information is listed in the sub-recipients contract. In addition, a new fiscal policy has been drafted to establish written procedures to cover the payment process and to determine the allowability of costs in accordance to 2 CFR 302 (6) & (7) and 45 CFR 75.302 (6) & (7). In addition, the Department of Management and Budget, Grants Division, will be issuing a policy, for County-wide use on allowable costs in June of 2016.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

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

#### 2015-008 - Earmarking - Enrollment of Children with Disabilities

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

Program. Head Start (CFDA# 93.600); U.S. Department of Health and Human Services; All project numbers

Criteria. The OMB Compliance Supplement requires that not less than ten percent of the total number of children actually enrolled by each Head Start Agency and each delegate agency must be children with disabilities determined to be eligible for special education and related services.

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

Cause. There were not enough disabled students applying for the program and the County did not submit its request for a waiver in a timely manner.

Effect. The County is not in compliance with the grant requirements.

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

Recommendation. We recommend that the County continue to strive to meet the ten percent requirement and, if not met, then the waiver request should be submitted in a timely manner.

View of Responsible Officials. The letter requesting the 10% Disability Waiver was sent to Administration for Children and Families Office of Head Start Region V on June 1, 2015. Additionally, more information was requested and submitted the Region V on June 26, 2015. Region V has had turnover of staff and Wayne County Head Start Program has reached out several times to find out the status of the Disability Waiver.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

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

2015-009 - Procurement (repeat comment)

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

Federal programs:

*Direct:*

- Community Development Block Grant (CDBG) (CFDA# 14.218); U.S. Department of Housing and Urban Development; Project number B-08-UN-26-0006
- HOME Investment Partnership (CFDA# 14.239); U.S. Department of Housing and Urban Development; All project numbers

Criteria. The County's purchasing policy states that some form of competitive bidding based upon adequate and complete specifications will be followed for all purchases projected to exceed \$50,000.

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

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

Effect. The County was not in compliance for three of its contracts, and is exposed to an increased risk that future noncompliance could occur and not be prevented or detected by the County's internal controls.

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

Recommendation. We recommend that the County obtain bids for all required projects in accordance with its policy.

View of Responsible Officials. All County procurement that has either Community Development Block Grant or HOME funds for County purposes will follow the County's purchasing policy. All such County purchases will be reviewed by the Administrator of Wellness Program for compliance with the purchasing policy. All CDBG and HOME subrecipient procurement will follow that jurisdiction's purchasing policy. Subrecipients will be monitored to insure that their purchasing policies are in compliance with CDBG and/or HOME requirements under 2 CFR 200.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

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

#### 2015-010 - Reporting

Finding Type. Significant deficiency in internal controls over compliance

#### Federal programs:

##### *Direct -*

➤ Head Start (CFDA# 93.600); U.S. Department of Health and Human Services; All project numbers

##### *Pass-through Michigan Department of Community Health -*

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

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

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

Cause. It appears that the Head Start department had staff turnover which limited the number of individuals available to prepare the report. The WIC department appears to have overlooked the documentation of their independent review.

Effect. Although the reports were prepared accurately, there is a risk that amounts reported by the County to grantor or pass-through entities may not be accurate representations of actual costs incurred.

Questioned Costs. None, inasmuch as the amounts reported did not result in drawing down federal funds in excess of allowable expenditures.

Recommendation. We recommend the County require independent review of grant reports and the documentation of review be maintained as evidence of the review.

View of Responsible Officials. The Final SF 425 will be completed by the Fiscal Manager of Head Start program. Although, the report itself does not include a signoff for a reviewer or approver, the report will include a reconciliation of the program year expenses and sent for review and approval to the Department of Health, Veterans and Community Wellness, Finance Director. Additionally, the report and reconciliation will be provided to the Head Start Program Director for review and approval. Operational Procedures on development of the Final SF 425 will be submitted and included as part of the Fiscal Operational Procedures. Currently the Draw down request is submitted for review and approval. As of October 1, 2015 all reports have been reviewed and signed by a Departmental Supervisor for WIC.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

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

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

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

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

**Criteria.** Per the OMB Compliance Supplement, the County is required to monitor its subrecipients' use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulation, and the provisions of contracts or grant agreements and that performance goals are achieved. Additionally, the County must ensure that subrecipients expending \$500,000 or more in Federal awards during the year have met the audit requirements of OMB Circular A-133. The County is also required to follow-up on audit findings to verify the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the County should take appropriate action using sanctions.

**Condition.** The County did not complete on-site visits during the fiscal year for the three subrecipients selected for testing. Eligibility requirements are evaluated by the County on a monthly basis, but the remaining compliance requirements are not monitored. In addition, one of the subrecipients selected that had expenditures in excess of \$500,000 did not have a Single Audit completed and the County did not require the audit to be completed as a part of the corrective action when this was discovered.

**Cause.** The County did not assign staff to complete the on-site visits for the program. In addition, the County did not require appropriate follow-up for noncompliance with Single Audit requirements for its subrecipients.

**Effect.** The County did not comply with grant requirements and is exposed to an increased risk that noncompliance at the subrecipient level could exist and go undetected.

**Questioned Costs.** None.

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

**View of Responsible Officials.** Annually, WIC program subrecipients will have on-site compliance monitoring visits with the documentation of the visit being maintained electronically. All subrecipients are scheduled to have on-site monitoring visits completed by April 30, 2016. The Department of Management and Budget, Grants Division, requests and reviews single audit reports. One person in Grants is charged with this responsibility. In the future the requests will be reviewed by the Deputy Division Director to ensure that all required single audits are received and reviewed.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

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

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

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

**Program.** Community Development Block Grant (CDBG) (CFDA# 14.218); U.S. Department of Housing and Urban Development; All project numbers

**Criteria.** Per the OMB Compliance Supplement, the County is required to monitor its subrecipients' use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulation, and the provisions of contracts or grant agreements and that performance goals are achieved. Also, for-profit subrecipients are accountable to the pass-through entity for the use of Federal funds provided to them. Because for-profit subrecipients are not subject to the audit requirements of OMB Circular A-133, pass-through entities are responsible for establishing requirements, as needed, to ensure for-profit subrecipient accountability for the use of funds.

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

**Cause.** It appears the County misplaced the monitoring documentation for three subrecipients in its action plan due to staffing turnover, and overlooked the monitoring requirement for one non-profit entity and one for-profit entity.

**Effect.** The County did not comply with grant requirements and is exposed to an increased risk that noncompliance at the subrecipient level could exist and go undetected.

**Questioned Costs.** None.

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

**View of Responsible Officials.** The County will annually perform a Risk Analysis that will identify subrecipients for onsite monitoring, desk monitoring and training. The Risk analysis will also determine the areas/subjects and activities to be monitored. As described in CPD Notice (CPD-06-10) the factors determining risk will include: 1) Financial; 2) Physical; 3) Management; 4) Satisfaction; and 5) Services.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

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

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

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

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

Criteria. Per the OMB Compliance Supplement, the County must ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within nine months of the end of the subrecipient's audit period.

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

Cause. The County did not verify the organization's claim that a Single Audit was not needed by checking total payments to that subrecipient in the general ledger.

Effect. The County did not comply with grant requirements and is exposed to an increased risk that noncompliance at the subrecipient level could exist and go undetected.

Questioned Costs. None.

Recommendation. We recommend the County ensure all subrecipients with expenditures in excess of \$500,000 are subject to a Single Audit.

View of Responsible Officials. The County will modify its practice to require an audit be submitted before the subrecipient is eligible for a new year of funding. The Department of Management and Budget, Grants Division will be notified and if they have requested or received the subrecipient single audit no further action will be required. If the subrecipient replies that they do not have federal expenditures in excess of the amount that triggers the requirement, they will be required to provide written proof.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

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

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

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

**Program.** Edward Byrne Memorial Justice Assistance Grant Program (JAG) (CFDA# 16.738); U.S. Department of Justice; All project numbers

**Criteria.** Per the OMB Compliance Supplement, the County is required to monitor its subrecipients' use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulation, and the provisions of contracts or grant agreements and that performance goals are achieved. Additionally, the County must ensure that subrecipients expending \$500,000 or more in Federal awards during the subrecipients have met the audit requirements of OMB Circular A-133. The County is also required to follow-up on audit findings to verify the subrecipient takes timely and appropriate corrective action on all audit findings. In cases of continued inability or unwillingness of a subrecipient to have the required audits, the County should take appropriate action using sanctions.

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

**Cause.** Due to staff absences, the current year monitoring checklists could not be located. At the time of the desk review, the City of Detroit had not issued its single audit report. It appears the County did not follow up because of staffing constraints and the City issuing its report well after the required deadline.

**Effect.** The County did not comply with grant requirements and is exposed to an increased risk that noncompliance at the subrecipient level could exist and go undetected.

**Questioned Costs.** None.

**Recommendation.** We recommend the County modify its procedures to ensure that a process is followed to select subrecipients for monitoring, complete on-site visits and retain all applicable checklists and documentation. Additionally, the County should communicate regularly with noncompliant subrecipients who do not submit required single audit reports, and verify that the subrecipient takes timely and appropriate corrective action on all findings.

**View of Responsible Officials.** The Sheriff's Office was unable to provide the documentation for the Auditors because the staff person responsible for the JAG grant management is off on extended medical leave and his replacement could not find the documents required. With that said, the Sheriff's Office concurs with the recommendation of the Auditors. Going forward the Sheriff's office has designated a person to oversee the financial activity of the Department. This person will assist the JAG grant staff in preparation and filing of required reports.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

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

#### 2015-015 - Special Tests and Provisions - Wage Requirements

Finding Type. Significant deficiency in internal controls over compliance

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

Criteria. The OMB Compliance Supplement states that, "contracts for the construction of affordable housing with 12 or more HOME-assisted units are required to comply with the Wage Rate Requirements."

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

Cause. The County does not have the proper internal controls in place to ensure that all construction projects are actively monitored for compliance with the wage requirements.

Effect. The County was not in compliance for one of its contracts, and is exposed to an increased risk that future noncompliance could occur and not be prevented or detected by the County's internal controls.

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

Recommendation. We recommend that the County obtain all certified payroll documentation for construction contracts and review the information for accuracy before reimbursing the contractor.

View of Responsible Officials. The County will change its procedure to require Davis-Bacon Act submittals with each draw request for the Community Development Block Grant and HOME Partnership programs. A review will be conducted and will be evidenced by a check-off sheet before reimbursement is made.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

### SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS (Concluded)

#### 2015-016 - Segregation of Costs

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

**Program.** Edward Byrne Memorial Justice Assistance Grant Program (JAG) (CFDA# 16.738); U.S. Department of Justice; All project numbers

**Criteria.** The County is required to separately account for costs by program or cost objective. We noted that the Prosecutor's Office is charging a majority of its expenses to the same business unit which includes the JAG grant.

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

**Cause.** It appears the County was trying to decrease the complexity of accounting for separate cost objectives by charging expenses to the same business unit.

**Effect.** The County has an increased risk for costs being charged multiple times to different cost objectives without a proper audit trail.

**Questioned Costs.** None.

**Recommendation.** We recommend the County account for its costs in separate business units based on a specific cost objective.

**View of Responsible Officials.** Beginning October 1, 2015, the Prosecutor will initiate new business units for all new and renewed federal grants going forward.



# CHARTER COUNTY OF WAYNE, MICHIGAN

## Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2015

### Finding 2014-001 - Allowable Costs/Cost Principles - Payroll Documentation

The only individual sampled in the HOME program and the only two individuals sampled in the CDBG program had their time split and charged to the grant based on annual hour totals instead of at least a monthly allocation. Appropriate payroll documentation was not available for 11 employees charged to the WIC program. One out of the two individuals sampled from the Head Start program did not have time and effort documentation. As a result, the County did not have appropriate payroll support for 15 employees.

This finding was not adequately resolved. See finding 2015-004 in the current year Schedule of Findings and Questioned Costs.

### 2014-002 - SEFA Preparation/Reporting - Urban Loan Fund

The County originally calculated the amount reported on the SEFA using current year activity in the fund rather than using the year-end balances as required by A-133. In addition, the County was unable to provide a bank statement detailing where the cash on-hand was located as of year-end. The cash balance was not recorded on the County's books as of September 30, 2014 (it was subsequently recorded effective October 1, 2014).

This finding was adequately resolved.

### 2014-003 - Allowable Costs/Cost Principles - Sheriff Costs

Various Sheriff department costs (primarily for personnel services) were charged to Friend of the Court business units based on budgeted rates determined at the beginning of the fiscal year. Four journal entries selected for testing had Sheriff costs being allocated based on budgeted rates. There was no quarterly or year-end reconciliation of actual costs to the amounts charged based on the budget.

This finding was adequately resolved.

### 2014-004 - Reporting

The County was unable to provide a reconciliation of expenditures in the general ledger to the amounts reported on the Consolidated Annual Performance Report (CAPER) and the PR-03 report. Expenditures on the general ledger exceeded amounts reported by approximately \$288,000. Also, we were unable to reconcile the SF-425s for the CDBG program to the general ledger. Additionally, the County was unable to provide reconciliations of the SF-425 reports to the County's general ledger for the Head Start program. Differences reported throughout the year varied, and at year-end, actual expenditures per the general ledger exceeded amounts reported by approximately \$769,000.

This finding was adequately resolved.

# CHARTER COUNTY OF WAYNE, MICHIGAN

## ■ Summary Schedule of Prior Audit Findings For the Year Ended September 30, 2015

### 2014-005 - Procurement

Two out of five contract files tested from the CDBG program and all three payees selected for the HOME program did not have the required bid documentation. While a written policy exists addressing this requirement, the County has not been enforcing it effectively.

This finding was not adequately resolved. See finding 2015-009 in the current year Schedule of Findings and Questioned Costs.

### 2014-006 - Subrecipient Monitoring - During-the-Award Monitoring

During our testing of subrecipient monitoring, we noted that the County did not complete any on-site visits for the 2012-13 HOME program.

This finding was not adequately resolved. See finding 2015-013 in the current year Schedule of Findings and Questioned Costs.

### 2014-007 - Major Program Omitted From SEFA

Subsequent to the original issuance of the fiscal 2014 single audit report on June 29, 2015, the County was apprised by the pass-through entity that a set of programs under a single CFDA number totaling approximately \$7.8 million in federal expenditures were not included on the SEFA.

This finding was adequately resolved.

### 2014-008 - Cash Basis Reporting of Major Program

The federal portion of project costs are determined by the pass-through entity at the time that such costs are reimbursed; as such, it is necessary for the County to submit its accrual basis costs at or near the fiscal year end in order to appropriately determine federal awards. The County has not done so on a timely basis.

This finding was adequately resolved.

