

**WASHTENAW COUNTY,
MICHIGAN**

SINGLE AUDIT

For the Year Ended December 31, 2008

**WASHTENAW COUNTY, MICHIGAN
SINGLE AUDIT**

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WASHTENAW COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

| Federal Agency/Pass-Through Grantor/Program Title | Catalog of Federal Domestic Assistance | Expenditures |
|---|---|---------------------|
| U.S. DEPARTMENT OF AGRICULTURE | | |
| Direct Program - | | |
| Food Commodities - | | |
| Entitlement & Bonus Commodities | 10.550 | \$ 534 |
| Passed through Michigan Department of Education: | | |
| School Breakfast Program: | | |
| National School Lunch/Breakfast | 10.553 | 9,144 |
| CACFP | 10.558 | 24,778 |
| National School Lunch Program: | | |
| National School Lunch | 10.555 | 24,657 |
| CACFP | 10.558 | 74,645 |
| Total Michigan Department of Education | | 133,224 |
| Passed through Michigan Department of Community Health: | | |
| Women, Infants and Children | 10.557 | 673,704 |
| Steps Up-FSNE | 10.557 | 36,605 |
| Total Michigan Department of Community Health | | 710,309 |
| Passed through Michigan Department of Agriculture - | | |
| Farm and Ranch Lands Protection Program | 10.913 | 296,250 |
| Total U.S. Department of Agriculture | | 1,140,317 |
| U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT | | |
| Direct Programs: | | |
| Community Development Block Grant / Entitlement Grants | 14.218 | 1,206,100 |
| Community Development / Neighborhood Stabilization Program | 14.218 | 16,811 |
| HOME Investment Partnerships Program | 14.239 | 1,015,985 |
| American Dream Downpayment Initiative | 14.239 | 16,775 |
| Total Direct Programs | | 2,255,671 |
| Passed through SOS Community Services, Inc. - | | |
| Supportive Housing Program | 14.235 | 113,739 |
| Total U.S. Department of Housing and Urban Development | | 2,369,410 |

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WASHTENAW COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

| Federal Agency/Pass-Through Grantor/Program Title | Catalog of Federal Domestic Assistance | Expenditures |
|--|---|---------------------|
| U.S. DEPARTMENT OF THE INTERIOR | | |
| Passed through Michigan Department of History, Arts and Libraries - Historic Preservation Fund Grants-In-Aid | 15.904 | \$ 4,500 |
| U.S. DEPARTMENT OF JUSTICE | | |
| Direct Programs: | | |
| Violence Against Women | 16.590 | 222,419 |
| Byrne Justice Assistance Grant | 16.738 | 51,455 |
| Total Direct Programs | | 273,874 |
| Passed through Michigan Department of Human Services - Juvenile Accountability Incentive Block Grants: | | |
| Juvenile Accountability | 16.523 | 16,700 |
| Federal Drug Court Grant Program | 16.585 | 92,556 |
| Total Michigan Department of Human Services | | 109,256 |
| Passed through the Office of Juvenile Justice and Delinquency Prevention - National CASA Expansion Grant | 16.547 | 16,320 |
| Passed through the City of Ann Arbor 15th District Court - Violence Against Women | 16.590 | 3,792 |
| Total U.S. Department of Justice | | 403,242 |
| U.S. DEPARTMENT OF TRANSPORTATION | | |
| Passed through Michigan Office of Highway Safety Planning - State and Community Highway Safety: | | |
| Safe Routes To School | 20.205 | 4,527 |
| Drive Michigan Safely - Safe Communities | 20.600 | 99,840 |
| Total U.S. Department of Transportation | | 104,367 |

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WASHTENAW COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

| Federal Agency/Pass-Through Grantor/Program Title | Catalog of Federal Domestic Assistance | Expenditures |
|--|---|---------------------|
| U.S. ENVIRONMENTAL PROTECTION AGENCY | | |
| Direct Program - | | |
| Brownfields Assessment and Cleanup Cooperative Agreements - Assessment Petroleum | 66.818 | \$ 85,607 |
| Passed through Michigan Department of Environmental Quality: | | |
| Capitalization Grants for Clean Water State Revolving Funds: | | |
| Mallets Creek Drainage District | 66.458 | 47,936 |
| Multi-Lake Phase III Project | 66.458 | 313,597 |
| State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs | 66.471 | 19,060 |
| Total Michigan Department of Environmental Quality | | 380,593 |
| Total U.S. Environmental Protection Agency | | 466,200 |
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | |
| Direct Program - | | |
| Head Start | 93.600 | 3,787,399 |
| Passed through State Court Administration Office - | | |
| Access & Visitation | 93.597 | 11,845 |
| Passed through Michigan Department of Community Health: | | |
| Tuberculosis Control Programs | 93.116 | 15,032 |
| Immunization Grants: | | |
| Immunization Action Plan | 93.268 | 141,721 |
| Centralized Vaccine | 93.268 | 11,450 |
| Vaccines | 93.268 | 1,519,603 |
| VFC Provider Site Visits | 93.268 | 4,200 |
| Immunization Nurse Training | 93.268 | 2,250 |
| Immunization AFIX | 93.268 | 1,050 |
| Immunization VFC, AFIX, Training | 93.268 | 1,900 |
| CDC Emergency Prep. - Focus A | 93.283 | 226,413 |
| CDC Emergency Prep. - Plan Flu | 93.283 | 103,185 |
| Steps Up | 93.283 | 17,696 |
| Developmental Disabilities Basic Support - Advocacy Grant | 93.630 | 43,613 |

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WASHTENAW COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

| Federal Agency/Pass-Through Grantor/Program Title | Catalog of Federal Domestic Assistance | Expenditures |
|---|---|---------------------|
| U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONCLUDED) | | |
| Passed through Michigan Department of Community Health (Concluded): | | |
| Medical Assistance Program: | | |
| Medicare | 93.774 | \$ 524,371 |
| Care Coordination | 93.778 | 8,166 |
| Infant Mortality | 93.778 | 49,824 |
| Medicaid | 93.778 | 181,334 |
| QHP Medicaid | 93.778 | 56,077 |
| Medicaid - Full Cost (settlement) | 93.778 | 95,274 |
| Medicaid - Full Cost | 93.778 | 555,397 |
| Child Special Health Care | 93.778 | 30,102 |
| HIV Prevention Program - | | |
| HIV/AIDS Counseling and Testing | 93.940 | 86,135 |
| Maternal and Child Health Services Block Grants: | | |
| Local Maternal and Child Health | 93.994 | 109,958 |
| Child Special Health Care | 93.926 | 3,780 |
| STD | 93.991 | 27,249 |
| Child Special Health Care | 93.994 | 21,864 |
| | | <hr/> |
| Total Michigan Department of Community Health | | 3,837,644 |
| Passed through Washtenaw Community Health Organization: | | |
| Projects for Assistance in Transition from Homelessness (PATH) | 93.150 | 141,026 |
| Substance Abuse and Mental Health Services - | | |
| SPF/SIG | 93.243 | 111,331 |
| Community Mental Health Services Block Grants: | | |
| Child Respite | 93.958 | 10,160 |
| Omnibus Budget Reconciliation Act - | | |
| Preadmission Screenings and Annual Resident Reviews | 93.778 | 453,693 |
| Substance Abuse Prevention and Treatment Block Grant - | | |
| State Incentive Grant | 93.959 | 61,184 |
| | | <hr/> |
| Total Washtenaw Community Health Organization | | 777,394 |
| Passed through Michigan Department of Human Services: | | |
| Family Support Payments to States | 93.560 | 339,202 |
| Child Support Enforcement: | | |
| Friend of the Court | 93.563 | 3,455,487 |
| Prosecuting Attorney | 93.563 | 385,538 |
| | | <hr/> |
| Total Michigan Department of Human Services | | 4,180,227 |
| | | <hr/> |
| Total U.S. Department of Health and Human Services | | 12,594,509 |

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WASHTENAW COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

| Federal Agency/Pass-Through Grantor/Program Title | Catalog of Federal Domestic Assistance | Expenditures |
|--|---|-----------------------------|
| OFFICE OF NATIONAL DRUG CONTROL POLICY | | |
| Passed through Michigan Department of State Police - | | |
| HIDTA - Southeastern Michigan: | | |
| 2006 - HIDTA | 07.000 | \$ (20,507) |
| 2007 - ISDC | 07.000 | 77,089 |
| 2007 - LAWNET | 07.000 | 6,910 |
| 2007 - Management and Coordination Initiative | 07.000 | 87,366 |
| 2008 - ISDC | 07.000 | 482,133 |
| 2008 - LAWNET | 07.000 | 75,917 |
| 2008 - Management and Coordination Initiative | 07.000 | <u>649,570</u> |
| Total Office of National Drug Control Policy | | <u>1,358,478</u> |
| U.S. DEPARTMENT OF HOMELAND SECURITY | | |
| Passed through Michigan Department of State Police: | | |
| Emergency Management Performance Grant | 97.042 | 37,989 |
| Homeland Security Grant Program | 97.067 | <u>405,888</u> |
| Total Michigan Department of State Police | | <u>443,877</u> |
| Passed through Oakland County - | | |
| Homeland Security Grant Program | 97.067 | <u>158,780</u> |
| Total U.S. Department of Homeland Security | | <u>602,657</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | <u><u>\$ 19,043,680</u></u> |

WASHTENAW COUNTY, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Washtenaw County, Michigan (the "County") and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

2. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, Washtenaw County, Michigan provided federal awards to subrecipients as follows:

| Program Title | Federal CFDA Number | Amount Provided to Subrecipients |
|--|----------------------------|---|
| High Intensity Drug Trafficking Area | 07.000 | \$ 82,827 |
| Women, Infants and Children | 10.557 | 163,311 |
| Community Development Block Grant | 14.218 | 804,028 |
| HOME | 14.239 | 624,458 |
| American Dream Down Payment Initiative | 14.239 | 16,775 |
| Violence Against Women | 16.590 | 34,918 |
| SPF/SIG Grant | 93.243 | 4,375 |
| Steps Up | 93.283 | 32,820 |
| Access & Visitation | 93.597 | 11,845 |
| Head Start | 93.600 | 1,457,294 |
| Infant Mortality | 93.778 | 35,201 |
| State Incentive Grant | 93.959 | 52,548 |
| Homeland Security Grant | 97.051 | 321,898 |

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

March 20, 2009

To the Board of Commissioners
of Washtenaw County
Ann Arbor, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of **WASHTENAW COUNTY, MICHIGAN**, as of and for the year ended December 31, 2008, and have issued our report thereon dated March 20, 2009. We did not audit the financial statements of the Employment Training and Community Services Fund, which represent 0.3% of the assets and 11.6% of the revenues of the aggregate remaining fund information and 0.2% of the assets and 5.0% of the revenues of the governmental activities. Also, we did not audit the financial statements of the Washtenaw County Road Commission, which represents 76.5% of the assets and 94.6% of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports were furnished to us, and our opinions, insofar as they relate to the amounts included for the Employment Training and Community Services Fund and Washtenaw County Road Commission, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the Washtenaw County Road Commission were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Washtenaw County, 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 County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County'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 would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2 to be significant deficiencies in internal control over financial reporting.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be presented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, of the significant deficiencies described above, we consider item 2008-1 to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether *Washtenaw County, 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 and the reports of the other auditors disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of Washtenaw County in a separate letter dated March 20, 2009.

The County'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 County's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management and 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.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

March 20, 2009

To the Board of Commissioners
of Washtenaw County
Ann Arbor, Michigan

Compliance

We have audited the compliance of *Washtenaw County, 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 December 31, 2008. The County's major federal programs are identified in the summary of auditors' 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 County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the operations of the Employment Training and Community Services Fund, which expended \$8,436,959 in federal awards, which is not included in the schedule of expenditures of federal awards for the year ended December 31, 2008. Our audit, described below, did not include the operations of the Employment Training and Community Services Fund because an audit in accordance with OMB Circular A-133 for those activities was performed separately and a separate report was issued.

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. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County 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 December 31, 2008. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2008-3.

Internal Control Over Compliance

The management of the County 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 County'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 would not necessarily identify all deficiencies in the County's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2008-3 and 2008-4 to be significant deficiencies.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control. We do not consider any of the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses.

The County'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 County's responses and, accordingly, we express no opinion on them.

Schedule of Expenditures of Federal Awards

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 County, as of and for the year ended December 31, 2008, and have issued our report thereon dated March 20, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information 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.

We did not audit the financial statements of the Employment Training and Community Services Fund, which represent 0.3% of the assets and 11.6% of the revenues of the aggregate remaining fund information and 0.2% of the assets and 5.0% of the revenues of the governmental activities. Also, we did not audit the financial statements of the Washtenaw County Road Commission, which represents 76.5% of the assets and 94.6% of the revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports were furnished to us, and our opinion, insofar as it relates to the amounts included for the Employment Training and Community Services Fund and Washtenaw County Road Commission, is based solely on the reports of the other auditors.

This report is intended solely for the information and use of the audit committee, management, the governing body, others within the entity, and 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.

A handwritten signature in cursive script that reads "Lehmann Johnson".

WASHTENAW COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiencies identified not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? yes X no

Significant deficiencies identified not considered to be material weaknesses? X yes none reported

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

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 Numbers</u> | <u>Name of Federal Program or Cluster</u> |
|--|--|
| 07.000 93.600 | High Intensity Drug Trafficking Area Head Start |
| Dollar threshold used to distinguish between Type A and Type B programs: | <u>\$571,310</u> |
| Auditee qualified as low-risk auditee? | <u> X </u> yes <u> </u> no |

WASHTENAW COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended December 31, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS

2008-1 Material Audit Adjustments (Repeat)

| | |
|-------------------------------------|--|
| Finding type: | Material weakness in internal controls over financial reporting. |
| Criteria: | Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP). |
| Condition/Finding: | During our audit, we identified and proposed an adjustment (which was approved and posted by management) that was material, either individually or in the aggregate, to the County's financial statements. This adjustment was a correction for an accrued liability. |
| Cause: | Internal controls did not detect all adjustments necessary to properly record year-end balances. |
| Effect: | As a result the accounts payable in the Washtenaw County Drain Commissioner component unit financial statements were initially understated by approximately \$820,000. |
| Recommendation/ Comment: | We recommend that the County take steps to insure that all year-end adjustments are identified and posted for financial reporting purposes. |
| View of Responsible Official: | During the course of our 2008 audit preparation, we prepared and posted nearly 500 journal entries to properly adjust our books to the full accrual basis of accounting for the proprietary funds, the modified accrual basis of accounting for the governmental funds, and then to the full accrual basis of accounting for the government-wide financial statements. We strive to correctly adjust every fund to its correct balance at year-end. However, given the significant size of the County and the increasing complexity of generally accepted accounting principles, it is inevitable that an adjustment will occasionally be missed. We have notified the appropriate fiscal staff to take extra care to ensure that the cost of goods or services provided to the County in a particular year is properly charged to that year and that year-end accrual journal entries be prepared when needed to accomplish this. |

WASHTENAW COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended December 31, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS (Concluded)

2008-2 Review of Bond Expenditures

| | |
|-------------------------------------|--|
| Finding type: | Significant deficiency in internal controls over the review of bond disbursements. |
| Criteria: | Management is responsible for the use of bond proceeds. |
| Condition/Finding: | In 2008 the County issued \$6.5 million in capital improvement bonds to finance the construction of a new building for the Humane Society. The Humane Society processes the invoices for payment and provides the information to the County. The County currently does not review or approve those invoices. |
| Cause: | The County does not have the proper internal controls in place to review invoices related to the construction project. |
| Effect: | As a result, the County has no control to ensure that bond proceeds are used properly. |
| Recommendation/ Comment: | We recommend that the County take steps to insure that all invoices related to the Humane Society Building are reviewed and approved by a knowledgeable employee at the County. |
| View of Responsible Official: | The County will implement this recommendation immediately. A knowledgeable employee from the County will review and approve the invoices prior to payment to ensure that they are proper charges for this construction project and thus eligible to be paid with the bond proceeds. |

WASHTENAW COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended December 31, 2008

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2008-3 Suspended and Debarred Parties (Repeat)

| | |
|--------------------------------------|--|
| Finding type: | Noncompliance; Significant deficiency in internal controls over compliance. |
| Federal program(s): | HIDTA (CFDA# 07.000) and Head Start (CFDA# 93.600) |
| Criteria: | The OMB Circular A-133 Compliance Supplement provides that “Non-federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred...the non-federal entity must verify that the entity is not suspended or debarred or otherwise excluded.” |
| Condition/Finding: | During our testing of this compliance requirement we found two instances in the HIDTA program and two instances in the Head Start program where the County had not verified suspension or debarment. |
| Cause: | Those responsible for administering the County’s HIDTA grant were aware of this requirement and had implemented it for a major vendor. However, it had not been implemented for covered transactions with two other entities. Those responsible for administering the County’s Head Start program were utilizing the County’s boilerplate contract that was put into place prior to the suspension and debarment language being added to that boilerplate in August 2008. |
| Effect: | This condition increases the risk that the County could conduct business with suspended or debarred party in violation of OMB Circular A-133. |
| Recommendation/ Comment: | We recommend that the County implement procedures necessary to identify all covered transactions that take place and continue using the updated County boilerplate language that contains the suspension and debarment language. |
| View of Responsible Officials: | After receiving this finding for the first time in last year’s Single Audit, we immediately researched the requirements for suspension and debarment related to federal programs and worked with our auditors to develop new language for our contracts with subrecipients and vendors that would bring us into compliance with these requirements. This was finished and put in place in early August 2008. We let all of our departments know about this new required language that was now included in our updated boilerplate contract language. We felt at the time that we had done all we should to properly correct the finding. Unfortunately, a few entities were inadvertently missed. We have since obtained signed certifications from the four entities mentioned in the finding above wherein they certified to us that they were not suspended or debarred. During 2009, we will review all of our federal grants to ensure that all covered transactions are preceded by signed suspension and debarment instruments (either in signed contracts or signed certifications). |

WASHTENAW COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended December 31, 2008

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Concluded)

2008-4 Required Percentage of Income Eligible Students

Finding type: Significant deficiency in internal controls over compliance.

Federal program(s): Head Start (CFDA# 93.600)

Criteria: The OMB Circular A-133 Compliance Supplement requires that at least 90% of the children enrolled in the Head Start program must come from families whose income is below the official federal poverty guidelines or who are receiving public assistance.

Condition/Finding: During our testing of this compliance requirement we found eight instances out of 40 where the forms used to determine and document income eligibility were incomplete. There were also two instances out the 40 where the forms could not be found.

Cause: Those responsible for completing the forms did not fill out the required form completely and also did not ensure that each file contained the form.

Effect: This condition increases the risk that the County would allow a larger number of children over the income threshold into the program than is allowed and be in violation of OMB Circular A-133.

Recommendation/
Comment: We recommend that the County implement procedures necessary to ensure that all forms are completed and contained in each file.

View of
Responsible
Officials: The County will implement this recommendation immediately. Head Start program management has implemented procedures to ensure that all necessary eligibility forms are completed by staff and placed in each child's file.

WASHTENAW COUNTY, MICHIGAN
Schedule of Findings and Questioned Costs (Concluded)
For the Year Ended December 31, 2008

SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS

2007-1 Significant Audit Adjustments

Issue was not resolved, repeated as finding 2008-1

2007-2 Allowable Cost Principles Relating to Payroll

Issue was adequately resolved.

2007-3 Suspended and Debarred Parties

Issue was not resolved, repeated as finding 2008-3

2007-4 Preparation of Financial Status Reports

Issue was adequately resolved.

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