

Washtenaw  
County



Year Ended  
December 31,  
2011

Single Audit Act  
Compliance

# WASHTENAW COUNTY

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**INDEPENDENT AUDITORS' REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

April 18, 2012

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, as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements, and have issued our report thereon dated April 18, 2012. 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, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.



**WASHTENAW COUNTY**

**Schedule of Expenditures of Federal Awards**  
For the Year Ended December 31, 2011

Federal Agency / Cluster or Program Title	Direct or Pass-Through Grantor	Pass-through Grant Number	CFDA Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Child Nutrition Cluster:				
School Breakfast Program	MDE	SM-4213-C	10.553	\$ 28,694
National School Lunch Program	MDE	SM-4213-C	10.555	108,916
National School Lunch Program - Food Commodities	MDE	N/A	10.555	6,298
Total Child Nutrition Cluster				<u>143,908</u>
ARRA - Supplemental Nutrition Assistance Program	MDE	N/A	10.551	30,000
Child and Adult Care Food Program	MDE	N/A	10.558	19,421
Women, Infants and Children	MDCH	IW100342	10.557	<u>922,897</u>
<b>Total U.S. Department of Agriculture</b>				<u>1,116,226</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Community Development Block Grant (CDBG) Cluster:				
CDBG	Direct		14.218	2,624,338
ARRA - CDBG / Neighborhood Stabilization Program (NSP)	Direct		14.218	886,347
AARA - CDBG-R	Direct		14.253	62,998
ARRA - MSHDA - NSP	AA	10-0066	14.218	7,007
ARRA - CDBG - R	AA	10-0066	14.253	2,702
Total CDBG Cluster				<u>3,583,392</u>
Emergency Shelter Grants Program	Direct		14.231	94,975
Emergency Shelter Grants Program	MSHDA	HML-2010-0783-ESF	14.231	285,576
Total Program				<u>380,551</u>
HOME Investment Partnerships Program	Direct		14.239	1,408,717
Supportive Housing Program	SOS	MI0214B5F-091003	14.235	109,362
Homeless Prevention and Rapid Re-housing	SAWC	N/A	14.257	<u>1,886</u>
<b>Total U.S. Department of Housing and Urban Development</b>				<u>5,483,908</u>
<b>U.S. DEPARTMENT OF THE INTERIOR</b>				
Historic Preservation Fund Grants-In-Aid - Gordon Hall Rehab	MDHAL	CG10-407	15.904	14,752
Historic Preservation Fund Grants-In-Aid - CLG	MDHAL	CG10-10	15.904	<u>6,000</u>
<b>Total U.S. Department of the Interior</b>				<u>20,752</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>				
JAG Program Cluster:				
Byrne Justice Assistance Grant	Direct		16.738	50,678
ARRA - Byrne -JAG Stimulus	Direct		16.803	70,858
Total JAG Program Cluster				<u>121,536</u>
Violence Against Women	Direct		16.590	127,587
Coverdell Forensic Sciences Improvement Program	Direct		16.742	60,963
Juvenile Accountability Incentive Block Grants	MDHS	JAIBG-11-81001	16.523	18,362
Juvenile Justice and Delinquency Prevention	MDHS	431B9200711	16.540	89,653
Drug Court Discretionary Grant Program	MDHS	SCAO-2011-090	16.585	<u>83,258</u>
<b>Total U.S. Department of Justice</b>				<u>501,359</u>

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**WASHTENAW COUNTY**

**Schedule of Expenditures of Federal Awards**

For the Year Ended December 31, 2011

Federal Agency / Cluster or Program Title	Direct or Pass-Through Grantor	Pass-through Grant Number	CFDA Number	Federal Expenditures
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
Highway Safety Cluster:				
Drive Michigan Safely - Safe Communities	MOHSP	PT-10-31	20.600	\$ 57,919
Drive Michigan Safely - Youth Alcohol	MOHSP	PT-10-31	20.601	11,579
Drive Michigan Safely - Car Seats	MOHSP	PT-10-31	20.602	6,998
Total Highway Safety Cluster				<u>76,496</u>
Highway Planning and Construction - Safe Routes To School	MOHSP	N/A	20.205	14,950
<b>Total U.S. Department of Transportation</b>				<u>91,446</u>
<b>U.S. DEPARTMENT OF ENERGY</b>				
Energy Efficiency and Conservation Block Grant	Direct		81.128	<u>378,721</u>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>				
Capitalization Grants for Clean Water State Revolving Funds:				
ARRA - Allen Creek - Project 5338.01	MDEQ	N/A	66.458	169,117
ARRA - Allen Creek - Project 5337.02	MDEQ	N/A	66.458	797,299
Allen Creek - Project 5434.01	MDEQ	N/A	66.458	632,816
Allen Creek - Projects 5470.01 and 5470.02	MDEQ	9165.01	66.458	188,669
Traver Creek - Project 5472.01	MDEQ	9166.01	66.458	281,411
Malletts Creek - Project 5464.01	MDEQ	9164.01	66.458	643,028
Swift Run - Project 5471.01	MDEQ	N/A	66.458	20,303
County Farm - Project 5464.01	MDEQ	9163.01	66.458	150,311
Total Program				<u>2,882,954</u>
ARRA - Water Quality Management Planning - Middle Huron River	MDEQ	8635-0010	66.454	62,083
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	MDEQ	CT975861	66.471	3,630
Performance Partnership Grants - Water Stewardship/Clean Sweep	MDA	N/A	66.605	16,748
Great Lakes Program	MDA	N/A	66.469	4,886
<b>Total U.S. Environmental Protection Agency</b>				<u>2,970,301</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Immunization Cluster:				
Immunization Grants - Action Plan	MDCH	H23 CCH522556	93.268	142,521
Immunization Grants - Vaccines	MDCH	H23 CCH522556	93.268	220,650
Immunization Grants - Nurse Education	MDCH	H23 CCH522556	93.268	8,500
ARRA - Immunization	MDCH	3H23 IP522556 0752	93.712	8,270
ARRA - Immunization - Reaching More Children and Adults	MDCH	3H23 IP522556 0752	93.712	29,711
Total Immunization Cluster				<u>409,652</u>
Medical Assistance Program:				
Child Special Health Care	MDCH	5XX05MI5048	93.778	79,639
Medicaid Outreach - Advocate	MDCH	5XX05MI5048	93.778	49,397
Medicaid Outreach	MDCH	5XX05MI5048	93.778	102,986
Total Program				<u>232,022</u>
Public Health Emergency Preparedness - Focus A	MDCH	CCU517018	93.069	194,285
Public Health Emergency Preparedness - Pan Flu H1N1	MDCH	IH75TD000353	93.069	338,952
Total Program				<u>533,237</u>

continued...

# WASHTENAW COUNTY

## Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2011

Federal Agency / Cluster or Program Title	Direct or Pass-Through Grantor	Pass-through Grant Number	CFDA Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
<b>(continued)</b>				
Maternal and Child Health Services Block Grant:				
Local Maternal and Child Health	MDCH	B1M1MCHS	93.994	\$ 106,158
Child Special Health Care	MDCH	B1M1MCHS	93.994	39,687
Total Program				<u>145,845</u>
ARRA - Prevention and Wellness - Smoke Free Housing	MDCH	3U58DP001973	93.723	35,500
ARRA - Prevention and Wellness - Complete Streets	MDCH	3U58DP001973	93.723	20,000
Total Program				<u>55,500</u>
Child Support Enforcement:				
Friend of the Court	MDHS	CSFOC10-81001	93.563	2,997,830
Prosecuting Attorney	MDHS	CSPA10-81002	93.563	287,670
Total Program				<u>3,285,500</u>
Head Start	Direct		93.600	3,899,511
Health Impact Assessment (Climate Change)	MDCH	1UE1EH000744	93.070	12,000
Tuberculosis Control Programs	MDCH	U52 CCU500499	93.116	26,294
Suicide Prevention	MDCH	U79SM057838	93.243	45,000
		1U58DP001386 /		
Building Healthy Communities	MDCH	1U55DP003040	93.283	30,690
HIV Prevention Activities	MDCH	U62 CCU52346401	93.940	137,911
Preventive Health Services - Sexually Transmitted Diseases	MDCH	1H25PS001338	93.977	26,949
Preventive Health and Health Services - Minority Health	MDCH	B1 MI PRVS	93.991	52,791
Grants to States for Access and Visitation Programs	SCAO	N/A	93.597	7,820
Family Support Payments to States	MDHS	N/A	93.560	311,823
Prosecuting Attorney Foster Care - Title IV-E	MDHS	PROFC-11-81001	93.658	39,439
<b>Total U.S. Department of Health and Human Services</b>				<u>9,251,984</u>
<b>OFFICE OF NATIONAL DRUG CONTROL POLICY</b>				
High Intensity Drug Trafficking Area:				
2009 - LAWNET	MDSP	G09SM0003A	07.000	8,063
2009 - Management and Coordination Initiative	MDSP	G09SM0003A	07.000	68,595
2010 - Investigative Support and Deconfliction Center	MDSP	G10SM0003A	07.000	166,318
2010 - LAWNET	MDSP	G10SM0003A	07.000	6,695
2010 - Management and Coordination Initiative	MDSP	G10SM0003A	07.000	431,456
2011 - Management and Coordination Initiative	MDSP	G11SM0003A	07.000	550,335
<b>Total Office of National Drug Control Policy</b>				<u>1,231,462</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
Emergency Management Performance Grant	MDSP	EMW-2011-EP-00044-S01 2009-SS-T9-0060 / 2010-	97.042	36,756
Homeland Security Grant Program	MDSP	SS-T0-0009	97.067	518,707
<b>Total U.S. Department of Homeland Security</b>				<u>555,463</u>
<b>TOTAL FEDERAL AWARDS</b>				<u>\$ 21,601,622</u>

See notes to schedule of expenditures of federal awards.

# WASHTENAW COUNTY

## Notes to Schedule of Expenditures of Federal Awards

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Washtenaw County (the "County") under programs of the federal government for the year ended December 31, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets or cash flows of the County.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the County's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

Cash received is recorded on the cash basis; expenditures are recorded on the modified accrual basis of accounting. Revenues are recognized when the qualifying expenditures have been included and all grant requirements have been met.

### 3. PASS-THROUGH GRANTORS

Following are the pass-through grantors referenced in the Schedule:

Pass-through Grantor Name	Acronym
City of Ann Arbor, Michigan	AA
Michigan Department of Agriculture	MDA
Michigan Department of Community Health	MDCH
Michigan Department of Education	MDE
Michigan Department of Environmental Quality	MDEQ
Michigan Department of History, Arts and Libraries	MDHAL
Michigan Department of Human Services	MDHS
Michigan Department of State Policy	MDSP
Michigan Office of Highway Safety Planning	MOHSP
Michigan State Housing Development Authority	MSHDA
Shelter Association of Washtenaw County	SAWC
State Court Administrative Office	SCAO
SOS Community Services, Inc.	SOS

# WASHTENAW COUNTY

## 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 to Subrecipients
High Intensity Drug Trafficking Area	07.000	\$ 21,016
Women, Infants and Children	10.557	133,601
Community Development Block Grant	14.218	1,125,214
Community Development/Neighborhood Stabilization Program	14.218	310,318
Emergency Shelter Grant (HUD)	14.231	92,662
Emergency Shelter Grant (MASHTA)	14.231	101,738
Violence Against Women	16.590	14,618
Access and Visitation	93.597	6,340
Head Start	93.600	1,163,742
Suicide Prevention	93.243	29,942





**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***

April 18, 2012

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 (the "County"), as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements of the County, and have issued our report thereon dated April 18, 2012. Our report includes a reference to 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. Other auditors audited the financial statements of the Washtenaw County Road Commission and the Employment Training and Community Services Fund, 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, we considered the County'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2011-FS-1 and 2011-FS-2 to be a material weaknesses.

### Compliance and Other Matters

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

The County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the governing board, 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 black ink, reading "Lehmann Lobson". The signature is written in a cursive style with a large, prominent initial 'L'.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

April 18, 2012

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 *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's, major federal programs for the year ended December 31, 2011. 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 Washtenaw County Road Commission and the Employment Training and Community Services Fund, which expended \$655,803 and \$10,897,246, respectively, in federal awards, which is not included in the schedule of expenditures of federal awards for the year ended December 31, 2011. Our audit, described below, did not include the operations of the Road Commission and 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 and the reports of the other auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-SA-1, 2011-SA-2, 2011-SA-3, and 2011-SA-4.

### Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-SA-1, 2011-SA-2, 2011-SA-3 and 2011-SA-4. 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.

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 management, the audit committee, the Board of Commissioners, others within the organization, 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.



# WASHTENAW COUNTY

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2011

### 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 deficiency(ies) identified?   yes  X  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 deficiency(ies) identified?  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:

#### CFDA Number

#### Name of Federal Program or Cluster

14.218/14.253	Community Development Block Grant Cluster
14.239	HOME Program
93.600	Head Start Program
66.458	Capitalization Grants for Clean Water State Revolving Funds
16.738/16.803	Edward Byrne Memorial Justice Assistance Grant Program/JAG Program Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$648,049

Auditee qualified as low-risk auditee?  X  yes   no

# WASHTENAW COUNTY

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2011

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2011-FS-1 - Material Audit Adjustments - Water Resources Commissioner

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

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

**Condition.** During the audit of the financial statements of the Water Resources Commissioner (WRC), a discretely presented component unit, we noted a series of debt service and capital projects funds that had negative (or debit balance) revenue accounts. It was subsequently determined that the transactions creating these improper balances should have been recorded as transfers between the applicable funds rather than as increases and decreases in revenue accounts between funds.

**Cause.** WRC fiscal staff misunderstood the requirements under generally accepted accounting principles for the recording of these transactions.

**Effect.** Before the material audit adjustment, revenues were incorrectly reported in the debt and capital funds by approximately \$736,000 each.

**Recommendation.** The necessary adjustment has been made in the accounting records and appropriately presented in the financial statements. Accordingly, no further corrective action is required at this time.

**View of Responsible Officials.** Fiscal staff have been notified of the above finding so that this will be corrected from this point forward. One fiscal person has been assigned to handle all of the accounting for these funds.

# WASHTENAW COUNTY

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2011

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2011-FS-2 - Material Audit Adjustment - Public Health Special Revenue Fund

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

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

**Condition.** During the audit of the financial statements of the County, we noted that certain reimbursement-based grant receivables due from the State of Michigan, as recorded in the public health special revenue fund, were more than one year old and therefore not "available" under modified accrual accounting. Accordingly, it was necessary to reduce revenues by \$976,766 in order to properly record the deferral.

**Cause.** The State of Michigan has been slow in making its payments under this particular public health program and the County overlooked deferring these items when they became more than one year old.

**Effect.** Before the material audit adjustment, revenues and fund balance were overstated by the above amount.

**Recommendation.** The necessary adjustment has been made in the accounting records and appropriately presented in the financial statements. Accordingly, no further corrective action is required at this time.

**View of Responsible Officials.** The State of Michigan underwent a significant upgrade to its billing claim reporting software in 2007. System limitations experienced during implementation have continued to the present. As a result, the Centers for Medicare & Medicaid Services (CMS) have not been able to validate the claim information submitted nor make timely payment for the cost base reimbursement for the Maternal Infant Health program. This has affected local public health departments across the State.

The County recently received full payment for the calendar year 2009 receivable of \$302,182 (plus an additional \$10,758). Payment for the calendar year 2010 receivable of \$674,584 is anticipated within the next 45 calendar days. We will continue to work with the State to obtain timely payment for grant/program services. Amounts owed by the State will continue to be monitored closely by fiscal staff in order to detect and follow up on those that have been outstanding for more than a reasonable period of time.

# WASHTENAW COUNTY

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2011

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

#### 2011-SA-1 - Semi-annual Certifications

**Finding Type.** Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Cost Principals).

**Program.** Edward Byrne Memorial Justice Assistance Grant Program/JAG Program Cluster; U.S. Department of Justice; CFDA Numbers 16.738 and 16.803; Award Numbers 2009-SB-B9-2028 and 2009-SU-B9-0017.

**Criteria.** Office of Management and Budget Circular No. A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, requires that when employees work on multiple activities, the distribution of their salaries or wages must be supported by personnel activity reports or a statistical sampling system that has been approved by the cognizant Federal agency. The Circular also requires that where employees are expected to work solely on a single federal award, charges for their salaries can be supported by at least semi-annual certifications that they worked solely on that program for the period covered by the certification.

**Condition.** Semi-annual certifications were not completed supporting the payroll costs charged to the program.

**Cause.** This condition appears to be the result of County personnel not being aware of the requirement.

**Effect:** This condition increases the risk that the County could report an incorrect amount for expenditures related to federal grant programs.

**Questioned Costs:** No costs have been questioned as a result of this finding inasmuch as no disallowed costs were identified.

**Recommendation.** We recommend that the County implement procedures to appropriately document and support salaries and wages charged to grant programs.

**View of Responsible Officials.** It is the normal practice in County departments that administer federal grant programs to make sure that their employees track their time spent on each federal grant or if working solely on one federal grant to sign a certification form twice per year stating that they worked only on that federal grant. The employees charged to this program were inadvertently missed in this process. The applicable department has notified us that they will increase their monitoring and oversight of this process to make sure all employees are in compliance in the future.



# WASHTENAW COUNTY

## Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2011

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

#### 2011-SA-2 - Communication of Award Information to Subrecipient

**Finding Type.** Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance - Subrecipient Monitoring.

**Program.** Head Start Program; U.S. Department of Health and Human Services; CFDA Number 93.600; Award Numbers 05CH0790/45 and 05CH0790/46.

**Criteria.** Recipients of federal awards that subgrant funds to other entities are responsible for compliance with requirements related to subrecipient monitoring, as detailed in the *OMB Circular A-133 Compliance Supplement*. Such requirements include, among other things, identifying to the subrecipient the CFDA number, Federal awarding agency, and award name and number.

**Condition.** In contracting with its subrecipients for the Head Start program, the County identified the source of the funds by name, but did not communicate the CFDA number of the program.

**Cause.** This condition was caused by management oversight in neglecting to include the CFDA number in the award documentation.

**Effect.** As a result of this condition, the County did not fully comply with the subrecipient requirements applicable to its Head Start program.

**Questioned Costs.** No costs have been questioned as a result of this finding inasmuch as no disallowed costs were identified.

**Recommendation.** We recommend that the County revise its subrecipient grant agreements to include all necessary communications, and monitor the reporting of its subrecipients to ensure compliance.

**View of Responsible Officials:** Management agrees with the recommendation. We have modified our standard language for contracts involving federal monies to require that all of the above information be included when the subrecipient grant agreement is executed.

# WASHTENAW COUNTY

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2011

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

#### 2011-SA-3 - Approval of Credit Card Transactions

**Finding Type.** Immaterial Noncompliance/Significant Deficiency in Internal Controls.

**Program.** Head Start Program; U.S. Department of Health and Human Services; CFDA Number 93.600; Award Numbers 05CH0790/45 and 05CH0790/46.

**Criteria.** Management is responsible for designing and implementing proper internal controls over disbursements of federal funds.

**Condition.** Our test of 15 credit card transactions, which included charges for out-of-state travel of the Head Start Director attending a conference in Hawaii, disclosed ten instances where the transaction was not supported by a vendor receipt or other appropriate source document. We also noted that the County's credit card policy does not require pre-approval for out-of-state travel costs.

**Cause.** These transactions were subject to review by the credit card liaison in the Head Start Department. This liaison was a subordinate to the Head Start Director and also had review and approval authority over her own credit card transactions.

**Effect.** The County has a weakness in the controls over the review and approval of credit card transactions.

**Questioned Costs.** No costs were questioned as a result of this finding.

**Recommendation.** Credit card transactions should be reviewed and approved by a higher level employee, either within or outside of a department, whenever possible.

**View of Responsible Officials.** Employees are issued a County credit card only upon the approval of their department head, who is responsible for setting the spending limit for the card. Each employee receiving a credit card agrees in writing to use the card only for official County business in compliance with all County policies and procedures relating to the use of the card, including but not limited to the travel and procurement policies and procedures. Cardholders are required to write the business purpose on each receipt and submit it to the credit card liaison in their department. The liaison is responsible for reviewing the charges for propriety and submitting them to Finance by the 15<sup>th</sup> of the month following the month in which the charges were made. A staff member in Finance makes sure that the liaisons have submitted credit card statements for each cardholder in their department and that all receipts are attached. To assure timely payment and proper internal controls, the County credit card bills are paid by the Finance Department each month.

The County is currently reviewing its credit card and procurement card programs and will be updating these during 2012. As part of this process, we will review and modify as needed the credit card transaction approval language included in the County's policies and procedures.

# WASHTENAW COUNTY

## ■ Schedule of Findings and Questioned Costs For the Year Ended December 31, 2011

### ■ SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### 2011-SA-3 - Approval of Credit Card Transactions (Concluded)

The Head Start department under new leadership has modified its procedures for out of town travel. All staff must have a professional development plan on file specifying the training, conference or course they are requesting to attend. This must be related to their job duties or be required by the Head Start program for ongoing professional development or for the employee to maintain a certification or degree. This must be approved by the respective Head Start site director. The Head Start Director will seek approval for out of town travel, conferences or training from the County Administrator, following the same process.

# WASHTENAW COUNTY

## Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2011

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

#### 2011-SA-4 - Identification of Federal Awards

**Finding Type.** Immaterial Noncompliance/Significant Deficiency in Internal Controls.

**Program.** Capitalization Grants for Clean Water State Revolving Funds; U.S. Environmental Protection Agency; CFDA Number 66.458; Project Numbers 5470.01, 5470.02, 5472.01, 5464.01 and 5505.01.

**Criteria.** OMB Circular A-133 requires that the County "identify, in its accounts, all federal awards received and expended and the Federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the Federal agency, and name of the pass-through entity."

**Condition.** The initial schedule of expenditures of federal awards and related grant tie-outs for the State Revolving Loan funds were found to have inappropriately included nonfederal funds of approximately \$180,000. This error was detected and corrected.

**Cause.** This condition appears to have been caused by the County's increased projects that were ongoing during the year and the miscommunication between employees that handle the State Revolving Funds.

**Effect.** As a result of this condition, the County overstated federal revenue for this program.

**Questioned Costs.** No costs were questioned as a result of this finding.

**Recommendation.** The County should have procedures in place to verify the type of receipts that come in related to federal programs to determine if the funds are truly federal. Also, tie-outs of the federal programs should be completed and reviewed on a regular basis.

**View of Responsible Officials.** We agree with this recommendation. One fiscal person has now been assigned to process all reimbursement requests and year-end accruals for these grants in order to ensure compliance with this recommendation.

# WASHTENAW COUNTY

## ■ Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2010

### Finding 2010-1 - Internal Controls Payroll Allocation - CFDA # 14.218, 14.253, 14.254 and 14.239

Cost allocation timesheets completed by the Community Development Department employees did not have documentation of review by an appropriate level of management. This finding has been corrected.

### Finding 2010-2 - Internal Controls over Suspended and Debarred Parties - CFDA # 16.738, 97.067 and

The County failed to verify that two vendors used during the year were not suspended or debarred. This finding has been corrected.

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