

Washtenaw
County



Year Ended
December 31,
2016

Single Audit Act
Compliance

WASHTENAW COUNTY

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE

April 5, 2017

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, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements. We issued our report thereon dated April 5, 2017, 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 those 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) 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 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 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 expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



WASHTENAW COUNTY

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Agriculture					
Child Nutrition Cluster:					
Food Distribution - Senior Nutrition Program	10.555	AAA1-B	16-9052-CH	\$ -	\$ 140,845
Food Distribution - Senior Nutrition Program	10.555	AAA1-B	17-9052-CH	-	23,775
					<u>164,620</u>
Woman, Infants and Children	10.557	MDHHS	W500342/IW100342	-	972,466
Woman, Infants and Children - Peer Counselor	10.557	MDHHS	IW100342	-	109,666
					<u>1,082,132</u>
Child and Adult Care Food Program	10.558	MDE	-n/a-	-	56,375
Supplemental Nutrition Assistance Program:					
2016 Supplemental Nutrition Assistance Program	10.561	MWSE	16162MI100S2520	1,460	1,460
2017 Supplemental Nutrition Assistance Program	10.561	MWSE	16162MI100S2520	38,089	38,089
				<u>39,549</u>	<u>39,549</u>
Agricultural Conservation Easement Program	10.931	NRCS-MI	545D211401H61	-	588,245
Total U.S. Department of Agriculture				<u>39,549</u>	<u>1,930,921</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-26-0006	-	25,000
2011 Community Development Block Grant	14.218	Direct	B-11-UC-26-0006	-	10,000
2012 Community Development Block Grant	14.218	Direct	B-12-UC-26-0006	6,703	6,703
2013 Community Development Block Grant	14.218	Direct	B-13-UC-26-0006	309,741	321,428
2014 Community Development Block Grant	14.218	Direct	B-14-UC-26-0006	165,639	868,700
2015 Community Development Block Grant	14.218	Direct	B-15-UC-26-0006	458,570	873,626
2016 Community Development Block Grant	14.218	Direct	B-16-UC-26-0006	236,364	239,115
				<u>1,177,017</u>	<u>2,344,572</u>
Emergency Shelter Grants Program:					
2014 Emergency Shelter Grants Program	14.231	Direct	E-14-UC-26-0006	11,058	11,058
2015 Emergency Shelter Grants Program	14.231	Direct	E-15-UC-26-0006	113,173	117,060
2016 Emergency Shelter Grants Program	14.231	Direct	E-16-UC-26-0006	39,253	51,253
2015 Emergency Shelter Grants Program	14.231	MSHDA	HML-2015-0783-ESF	243,327	245,504
2016 Emergency Shelter Grants Program	14.231	MSHDA	HML-2016-0783-ESF	76,488	85,306
				<u>483,299</u>	<u>510,181</u>
Home Investment Partnership Program:					
2012 HOME Investment Partnerships Program	14.239	Direct	M-12-UC-26-0006	250,407	250,407
2013 HOME Investment Partnerships Program	14.239	Direct	M-13-UC-26-0006	287,976	287,976
2014 HOME Investment Partnerships Program	14.239	Direct	M-14-UC-26-0006	613,303	613,303
2015 HOME Investment Partnerships Program	14.239	Direct	M-15-UC-26-0006	338,376	366,521
2016 HOME Investment Partnerships Program	14.239	Direct	M-16-UC-26-0006	297,317	359,850
				<u>1,787,379</u>	<u>1,878,057</u>

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WASHTENAW COUNTY

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Housing and Urban Development (continued)					
Continuum of Care Planning Grant:					
2013 Continuum of Care Planning Grant	14.267	Direct	MI0403L5F091200	\$ -	\$ (50,231)
2014 Continuum of Care Planning Grant	14.267	Direct	MI0414L5F091300	-	(51,765)
2015 Continuum of Care Planning Grant	14.267	Direct	MI0452L5F091400	-	33,867
2016 Continuum of Care Planning Grant	14.267	Direct	MI0485L5F091500	-	54,349
2015 Supportive Housing Program	14.267	AAHC	MI0422L5F091401	-	103,158
2016 Supportive Housing Program	14.267	Direct	MI0486L5F091500	-	43,917
				<u>-</u>	<u>133,295</u>
Total U.S. Department of Housing and Urban Development				<u>3,447,695</u>	<u>4,866,105</u>
U.S. Department of Justice					
2011-2016 Violence Against Women					
	16.590	Direct	2011-WE-AX-0036	<u>24,581</u>	<u>26,680</u>
Byrne Justice Assistance Grant:					
2014 Byrne Justice Assistance Grant					
	16.738	Direct	2014-DJ-BX-1155	<u>-</u>	<u>33,458</u>
Total U.S. Department of Justice				<u>24,581</u>	<u>60,138</u>
U.S. Department of Labor					
Employment Service/Wagner-Peyser Funded Activities:					
2015 Funded Activities					
	17.207	MWSE	ES274871555A26	<u>57,753</u>	<u>130,464</u>
Trade Adjustment Assistance:					
2014 Trade Adjustment Assistance (FY 15)					
	17.245	MWSE	TA267311555A26	<u>(98)</u>	<u>(98)</u>
2014 Trade Adjustment Assistance (FY 16)					
	17.245	MWSE	TA252941455A26	<u>38,341</u>	<u>129,569</u>
				<u>38,243</u>	<u>129,471</u>
Workforce Investment Opportunity Act Cluster:					
Adult					
	17.258	MWSE	AA267861555A26	<u>133,457</u>	<u>312,260</u>
Youth					
	17.259	MWSE	AA267861555A26	<u>259,315</u>	<u>443,823</u>
Dislocated Workers					
	17.278	MWSE	AA267861555A26	<u>178,408</u>	<u>285,368</u>
				<u>571,180</u>	<u>1,041,451</u>
Jobs-Driven NEG Dislocated Worker Training					
	17.277	MWSE	EM258641460A26	<u>11,215</u>	<u>11,215</u>
Total U.S. Department of Labor				<u>678,391</u>	<u>1,312,601</u>
U.S. Department of Transportation					
National Priority Safety Programs Cluster:					
Strategic Traffic Enforcement Program					
	20.616	MOHSP	PT-16-11	-	101,198
Strategic Traffic Enforcement Program					
	20.616	MOHSP	PT-17-15	-	10,484
Underage Drinking Grant					
	20.616	MOHSP	AL-16-06	-	15,664
Underage Drinking Grant					
	20.616	MOHSP	AL-17-08	-	4,860
Total U.S. Department of Transportation				<u>-</u>	<u>132,206</u>

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Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Environmental Protection Agency					
Capitalization Grants for Clean Water State Revolving Funds:					
MC Spring	66.458	MDEQ	5508.02	\$ -	\$ 449,412
Allen Creek SHK	66.458	MDEQ	5509.01	-	131,587
HRGI Trees	66.458	MDEQ	5504.05	-	105,676
HRGI Trees	66.458	MDEQ	5504.04	-	39,843
				<u>-</u>	<u>726,518</u>
Nonpoint Source Implementation Grant	66.460	MDEQ	C9975474-14	-	42,677
State Drinking Water Revolving Loan Fund Program:					
Small Water Systems for Operator Assistance	66.468	MDEQ	FS975487-14	-	1,630
Capacity Development	66.468	MDEQ	FS975487-13	-	150
Revised Total Coliform Rule	66.468	MDEQ	FS975487-15	-	3,644
				<u>-</u>	<u>5,424</u>
Performance Partnership Grants:					
2015 Water Stewardship/Clean Sweep	66.605	MDA	791N6600052	-	12,904
2016 Water Stewardship/Clean Sweep	66.605	MDA	791N7700126	-	5,229
				<u>-</u>	<u>18,133</u>
Total U.S. Environmental Protection Agency				<u>-</u>	<u>792,752</u>
U.S. Department of Energy					
Weatherization Assistance for					
Low-Income Persons	81.042	MDHHS	DOE-13-81029-3	-	181,176
Weatherization Assistance for					
Low-Income Persons	81.042	MDHHS	WAP16-81029-2	-	67,970
				<u>-</u>	<u>249,146</u>
U.S. Department of Health and Human Services					
Aging Cluster:					
Title III, Part C - Nutrition Services	93.045	AAA1-B	16-9052-CH	135,275	578,792
Title III, Part C - Nutrition Services	93.045	AAA1-B	17-9052-CH	28,000	246,146
				<u>163,275</u>	<u>824,938</u>
* Public Health Emergency Preparedness:					
Ebola Virus Disease Phase II	93.069	MDHHS	U90TP000528	-	32,973
Focus A	93.069	MDHHS	U90TP000528	-	161,909
				<u>-</u>	<u>194,882</u>
* Projects for Assistance in Transition					
from Homelessness (PATH)	93.150	MDHHS	20130320-00	-	149,621
* Community Interoperability and Health Information					
Exchange	93.239	Direct	90II0004	-	83,844
* Immunization Cluster:					
Immunization Cooperative Agreements	93.268	MDHHS	H23 CCH522556	-	44,805
Immunization Billing Practice Infrastructure					
Enhancements	93.268	MDHHS	1H23IP000940	-	22,051
Immunization Grants - Vaccines	93.268	MDHHS	H23 CCH522556	-	105,617
				<u>-</u>	<u>172,473</u>
* PPHF Capacity Building Assistance	93.539	MDHHS	H23IP000752	-	109,369

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Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Health and Human Services (continued)					
Temporary Assistance for Needy Families:					
2016 Temporary Assistance for Needy Families Families - Supportive Services	93.558	MWSE	1601MITANF	\$ 13,079	\$ 16,485
2016 Temporary Assistance for Needy Families	93.558	MWSE	1601MITANF	305,743	546,023
				<u>318,822</u>	<u>562,508</u>
Child Support Enforcement:					
2015 Family Support Payments to States	93.563	MDHHS	CSFOC15-81001	-	264,234
2016 Family Support Payments to States	93.563	MDHHS	CSFOC16-81001	-	82,716
2015 Friend of the Court	93.563	MDHHS	CSFOC15-81001	-	2,257,520
2016 Friend of the Court	93.563	MDHHS	CSFOC16-81001	-	742,989
2015 Prosecuting Attorney	93.563	MDHHS	CSPA15-81002	-	291,630
2016 Prosecuting Attorney	93.563	MDHHS	CSPA16-81002	-	102,363
				<u>-</u>	<u>3,741,451</u>
Low-income Home Energy Assistance:					
2015 Low-Income Home Energy Assistance Program	93.568	MDHHS	LIHEAP 13-81029-1	-	148,040
2016 Low-Income Home Energy Assistance Program	93.568	MDHHS	WAP16-81029-2	-	2,377
2015 Michigan Energy Assistance Program	93.568	MCAAAA/MPSC	PSC-16-07	13,453	76,159
2016 Michigan Energy Assistance Program	93.568	MCAAAA/MPSC	MAE-17-07	900	11,174
				<u>14,353</u>	<u>237,750</u>
Community Services Block Grant:					
2015 Community Services Block Grant	93.569	MDHHS	CSBG 14-81029-3	-	482,299
2015 Community Services Block Grant - Discretionary	93.569	MDHHS	CSBGD 14-81029-3	42,570	42,570
2016 Community Services Block Grant	93.569	MDHHS	CSBG 14-81029-4	-	83,852
				<u>42,570</u>	<u>608,721</u>
* 2015 Grants to States for Access and Visitation Program	93.597	SCAO	SCAO-2016-016	2,405	2,405
* 2016 Grants to States for Access and Visitation Program	93.597	SCAO	SCAO-2017-033	1,080	1,080
				<u>3,485</u>	<u>3,485</u>
* Medicaid Cluster:					
Child Special Health Care	93.778	MDHHS	05 U05M15ADM	-	86,000
CSHCS Medicaid Outreach	93.778	MDHHS	05 U05M15ADM	-	50,535
Medicaid Outreach - Advocate	93.778	MDHHS	05 U05M15ADM	-	356,970
Medicaid Outreach	93.778	MDHHS	05 U05M15ADM	-	79,597
Medical Assistance Program - Omnibus Budget Reconciliation Act - Pre-Admission Screening and Annual Resident Review (OBRA)	93.778	MDHHS	-n/a-	-	686,988
				<u>-</u>	<u>1,260,090</u>

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WASHTENAW COUNTY

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Health and Human Services (continued)					
* HIV Prevention Project - HIV Prevention Activities	93.940	MDHHS	U62 PS003671	\$ -	\$ 59,761
* Parent Management Training Oregon (PMTO)	93.958	CMHPSM	12B1MICMHS	16,378	16,378
* Preventive Health and Health Services: Building Healthy Communities	93.991	MDHHS	2B01OT009028	-	123,394
Minority Health	93.991	MDHHS	2B01OT009128	-	123,415
				-	246,809
* Maternal and Child Health Services Block Grant: Immunization Vaccine Quality Assurance	93.994	MDHHS	B1MIMCH5	-	5,870
CSHCS	93.994	MDHHS	B1MIMCH5	-	26,158
Obesity	93.994	MDHHS	B1MIMCH5	-	80,000
				-	112,028
Total U.S. Department of Health and Human Services				558,883	8,384,109
Corporation for National Community Service Foster Grandparent Program	94.011	Direct	14SFNMI001	-	273,952
Office of National Drug Control Policy High Intensity Drug Trafficking Area: 2014 Management and Coordination Initiative	95.001	MDSP	G14SM0003A	-	104,562
2015 Management and Coordination Initiative	95.001	MDSP	G15SM0003A	-	1,148,459
2016 Management and Coordination Initiative	95.001	MDSP	G16SM0003A	-	91,983
Total Office of National Drug Control Policy				-	1,345,004
U.S. Department of Homeland Security Emergency Food And Shelter Program	97.024	UWW	32-4832-00	-	1,069
Emergency Management Performance Grant	97.042	MDSP	EMW-2015-EP-00029-S01	-	60,700
Homeland Security Grant Program: 2014 Homeland Security Grant Program	97.067	MDSP	2014 HSGP	-	179,080
2015 Homeland Security Grant Program	97.067	MDSP	2015 HSGP	-	267,891
				-	446,971
Total U.S. Department of Homeland Security				-	508,740
Total Expenditures of Federal Awards				\$ 4,749,099	\$ 19,855,674

concluded.

See notes to schedule of expenditures of federal awards.

* See Note 3.

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, Michigan (the "County") under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). 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.

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 Washtenaw County Road Commission, which received federal awards that are not included in the Schedule for the year ended December 31, 2016, as this entity was 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, 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.

For purposes of charging indirect costs to federal awards, the County has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. FISCAL REPORTING

Certain departments and their grants are reported on a September 30 year-end basis; these are denoted on the Schedule with an asterisk (*).

4. PASS-THROUGH AGENCIES

The County receives certain federal awards as subgrants 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
AAA1-B	Area Agency on Aging 1-B
AAHC	Ann Arbor Housing Commission
CMHPSM	Community Mental Health Partnership of Southeast Michigan
MCAAA/MPSC	Michigan Community Action Agency Association / Michigan Public Service Commission
MDA	Michigan Department of Agriculture
MDE	Michigan Department of Education

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WASHTENAW COUNTY

Notes to Schedule of Expenditures of Federal Awards

Pass-through Agency Abbreviation	Pass-through Agency Name
MDEQ	Michigan Department of Environmental Quality
MDHHS	Michigan Department of Health and Human Services
MDSP	Michigan Department of State Police
MOHSP	Michigan Office of Highway Safety Planning
MSHDA	Michigan State Housing Development Authority
MWSE	Michigan Works South East
NRCS-MI	National Resources Conservation Service
SCAO	State Court Administrative Office
UWW	United Way Worldwide
WCHO	Washtenaw County Health Organization

concluded.

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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*

April 5, 2017

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

We have audited, in accordance with the 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 *Washtenaw County, Michigan* (the "County"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated April 5, 2017. Our report includes a reference to other auditors who audited the financial statements of the Washtenaw County Road Commission 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 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 2016-001 and 2016-002 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.

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*.

Washtenaw County'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.

A handwritten signature in black ink that reads "Lehman Lohman LLC". The signature is written in a cursive, flowing style.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

April 5, 2017

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of *Washtenaw County, 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 December 31, 2016. 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 Washtenaw County Road Commission. Our audit, described below, did not include the operations of the Washtenaw County Road Commission because that entity arranged for a separate audit in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards 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 the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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.

Opinion on Each Major Federal Program

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 major federal programs for the year ended December 31, 2016.

Other

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2016-003. Our opinion on each major federal program is not modified with respect to this matter.

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

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 the Uniform Guidance, 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. 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.

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 material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2016-003, that we consider to be a significant deficiency.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rehmann Lobson LLC

WASHTENAW COUNTY

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

X yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of report</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children	Unmodified
14.218	Community Development Block Grants Entitlement Grants Cluster	Unmodified
93.045	Aging Cluster	Unmodified
93.563	Child Support Enforcement	Unmodified
93.778	Medicaid Cluster	Unmodified
95.001	High Intensity Drug Trafficking Areas	Unmodified

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

yes X no

WASHTENAW COUNTY

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

2016-001 - Preparation of the Schedule of Expenditures of Federal Awards

Finding Type. Material Weakness in Internal Controls over Financial Reporting.

Criteria. The Uniform Guidance 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.” In addition, the County is required to “prepare appropriate financial statements, including the schedule of expenditures of federal awards.”

Condition. While management was able to provide us with a mostly complete schedule of expenditures of federal awards (SEFA) prior to the start of the audit, several adjustments were ultimately required. These adjustments included a material adjustment near the end of audit fieldwork for a program that was not initially identified as a federal grant. This resulted in a change to the total federal awards expended.

Cause. The County administers a wide array of federal and state grants through its many departments. The function of grant administration is highly decentralized and therefore is dependent on departmental personnel to properly identify all federal programs. In this particular instance, there was staff turnover in the applicable department and this was a new grant having been reassigned to the department from the regional entity.

Effect. The County’s SEFA preparation process did not detect material variances in the originally reported federal expenditures.

Recommendation. The County should review and improve its grants administration policies and procedures.

View of Responsible Officials. View of Responsible Officials. To assist our auditors with their Single Audit planning, we provided them with a first draft of the SEFA on January 4, 2017. This first draft contained many estimated amounts since it was done prior to our being able to complete many of the year-end 2016 revenue and expenditure accruals. These accruals could not be finished until all of the vendor invoices sent to the County during January 2017 could be reviewed to see if they were for goods or services provided to the County during 2016. Going forward, we will look closely at our process for preparing the draft SEFA to review how our estimated amounts were arrived at and how we can improve our estimating methods so that the first draft of the SEFA and the final SEFA are in closer agreement, especially in the few areas where significant adjustment between draft and final SEFA took place this year.

Responsible Official. Peter Collinson, Accounting Director

Estimated Completion Date. September 30, 2017

WASHTENAW COUNTY

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

2016-002 - Material Audit Adjustment (repeat comment)

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 our audit, we identified and proposed a material adjustment (which was approved and posted by management) to adjust the County's general ledger to the appropriate balances. Revenues in the Community Mental Health fund were overstated by approximately \$447,000 and the related allowance for uncollectible accounts was understated by the same amount.

Cause. Internal controls did not detect all adjustments necessary to properly record or adjust year-end balances.

Effect. As a result of this condition, the County's accounting records were initially misstated by amounts material to the financial statements.

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. We work diligently throughout the year to keep the general ledger in balance and correct. We prepared several thousand journal entries during 2016 to accomplish this objective. While we strive for perfection, there are inevitably times where an adjustment is missed or a mistake is accidentally made. We believe our internal controls to be strong, however, they have been designed to provide reasonable, not absolute, assurance that transaction amounts are properly recorded and correctly stated. The concept of reasonable assurance implies a high degree of assurance, but is constrained by the cost of establishing and maintaining such control procedures. Management is in agreement with this finding, and as stated above, has made the appropriate journal entries to correct the condition. Management will seek best practices from other Community Mental Health Service Providers within the partner region in regards to the calculation of the allowance for uncollectible accounts, particularly as it pertains to first party, commercial and Michigan Department of Health and Human Services fee for service billings.

Responsible Official. Peter Collinson, Accounting Director

Estimated Completion Date. September 30, 2017

WASHTENAW COUNTY

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2016

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2016-003 - Suspension and Debarment

Finding Type. Immaterial Noncompliance; Significant Deficiency in Internal Controls over Compliance

Federal program(s)

Office of National Drug Control Policy

➤ High Intensity Drug Trafficking Areas (CFDA# 95.001); Passed through MDSP; All project numbers

Criteria. The Uniform Guidance states that non-federal entities who are recipients of federal awards are subject to the suspension and debarment regulations as stated in 2 CFR part 180. A recipient of federal awards is required to determine that vendors being paid with federal funds are not suspended or debarred from doing business with the federal government. Such procedures are required whenever the amount disbursed to a single vendor in a given fiscal year is expected to be at least \$25,000. Additionally, the County's policies and procedures over federal awards for federal drug control programs state that these requirements will be met through suspension and debarment certifications. The certifications must be obtained alongside the contract at the commencement of a professional relationship with a vendor or contractor.

Condition. The County did not obtain a suspension and debarment certification for one contract entered into with a vendor during the year out of two selected for testing.

Cause. The County leases a building for office space used by the High Intensity Drug Trafficking Areas program. During the year, the building changed ownership and the County's existing lease was assigned to the new owner. As this was a change in contract which was not initiated by the County, the County did not obtain a new certification of suspension and debarment for the new lessor, despite having a new vendor as part of a covered transaction.

Effect. The County did not follow its policies and procedures for ensuring compliance with federal regulations regarding suspension and debarment. As a result of this condition, the County was exposed to an increased risk that disbursements of federal awards could be made to vendors or subrecipients suspended or debarred by the federal government.

Questioned Costs. No costs have been questioned as a result of this finding inasmuch as no vendors involved were actually suspended or debarred.

Recommendation. We recommend that the County review its written policies and procedures over federal awards with employees responsible for grant compliance to ensure that they are being followed consistently.

WASHTENAW COUNTY

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2016

View of Responsible Officials. The County’s model contract for departments that receive federal monies includes suspension/debarment language. By signing the contract with the County, the vendor or subrecipient is declaring that they are not suspended or debarred from doing business with the federal government or with organizations receiving federal monies. This covers the majority of the federal monies the County receives. The situation described in the above finding was unusual. After being informed of the matter, we immediately obtained the necessary signed suspension/debarment form from the vendor. To reinforce our policies and procedures related to suspension and debarment, we will review them with the applicable fiscal staff throughout the County who work on federal grant programs.

Responsible Official. Peter Collinson, Accounting Director

Estimated Completion Date. September 30, 2017



WASHTENAW COUNTY

■ Summary Schedule of Prior Audit Findings For the Year Ended December 31, 2016

Finding 2015-001 - Material Audit Adjustments

The prior audit cited the need for a material audit adjustment relative to the Water Resources Commissioner financial statements, a discretely presented component unit of the County. No such adjustments relative to the Water Resources Commissioner financial statements were noted this year, so this specific matter is considered resolved.

However, as discussed in finding 2016-002, a material audit adjustment was required relative to another department, in this case the community mental health fund. Thus, while the circumstances related to this particular instance was different than the prior year, from a broader perspective it was still a material audit adjustment for the County reporting entity that, in part, indicates this matter is not entirely resolved.





WASHTENAW COUNTY

Administration

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CORRECTIVE ACTION PLAN

Pursuant to Federal Regulations, Uniform Administrative Requirements Section 200.511, the following are the findings as noted in Washtenaw County's Single Audit report for the year ended December 31, 2016, and corrective actions to be completed.

Finding: 2016-001 – Preparation of the Schedule of Expenditures of Federal Awards

Auditor Description of Condition and Effect. While management was able to provide us with a mostly complete schedule of expenditures of federal awards (SEFA) prior to the start of the audit, several adjustments were ultimately required. These adjustments included a material adjustment near the end of audit fieldwork for a program that was not initially identified as a federal grant. This resulted in a change to the total federal awards expended. As a result, the County's SEFA preparation process did not detect material variances in the originally reported federal expenditures.

Auditor Recommendation. The County should review and improve its grants administration policies and procedures.

Corrective Action. We will look closely at our process for preparing the draft SEFA to review how our estimated amounts were arrived at and how we can improve our estimating methods so that the first draft of the SEFA and the final SEFA are in closer agreement, especially in the few areas where significant adjustment between draft and final SEFA took place this year.

Responsible Official: Peter Collinson, Accounting Director

Due Date: September 30, 2017

Finding: 2016-002 - Material Audit Adjustment (repeat comment)

Auditor Description of Condition and Effect. During our audit, we identified and proposed a material adjustment (which was approved and posted by management) to adjust the County's general ledger to the appropriate balances. Revenues in the Community Mental Health (CMH) fund were overstated by approximately \$447,000 and the related allowance for uncollectible accounts was understated by the same amount. As a result of this condition, the County's accounting records were initially misstated by amounts material to the financial statements.

Auditor 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.

Corrective Action. Management is in agreement with this finding, and as stated above, has made the appropriate journal entries to correct the condition. The CMH Finance Manager will seek best practices from other Community Mental Health Service Providers within the partner region in regards to the calculation of the allowance for uncollectible accounts, particularly as it pertains to first party, commercial and Michigan Department of Health and Human Services fee for service billings.

Responsible Official: Peter Collinson, Accounting Director

Due Date: September 30, 2017

Finding: 2016-003 – Suspension and Debarment

Auditor Description of Condition and Effect. The County did not obtain a suspension and debarment certification for one contract entered into with a vendor during the year out of two selected for testing. The County did not follow its policies and procedures for ensuring compliance with federal regulations regarding suspension and debarment. As a result of this condition, the County was exposed to an increased risk that disbursements of federal awards could be made to vendors or subrecipients suspended or debarred by the federal government.

Auditor Recommendation. We recommend that the County review its written policies and procedures over federal awards with employees responsible for grant compliance to ensure that they are being followed consistently.

Corrective Action. The County's model contracts for departments that receive federal monies include suspension/debarment language. By signing the contract with the County, the vendor or subrecipient is declaring that they are not suspended or debarred from doing business with the federal government or with organizations receiving federal monies. This covers the majority of the federal monies the County receives. To reinforce our policies and procedures related to suspension and debarment, we will review them with the applicable fiscal staff throughout the County who work on federal grant programs.

Responsible Official: Peter Collinson, Accounting Director

Due Date: September 30, 2017