

Washtenaw  
County



Year Ended  
December 31,  
2018

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

May 6, 2019

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, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements. We issued our report thereon dated May 6, 2019, 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, 2018

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
<b>U.S. Department of Agriculture</b>					
Child Nutrition Cluster:					
Food Distribution - Senior Nutrition Program	10.555	AAA1-B	17-9052-CH	\$ -	\$ 167,892
Food Distribution - Senior Nutrition Program	10.555	AAA1-B	18-9052-CH	-	32,030
* Child and Adult Care Food Program:					
Breakfast	10.553	MDE	-n/a-	-	13,787
Lunch/Snack	10.555	MDE	-n/a-	-	27,406
Entitlement	10.555	MDE	-n/a-	-	2,291
Bonus	10.555	MDE	-n/a-	-	2,943
				<u>-</u>	<u>246,349</u>
* Women, Infants and Children	10.557	MDHHS	182MI003W1003	-	972,466
* Women, Infants and Children - Peer Counselor	10.557	MDHHS	16162MI013W5003	-	115,166
				<u>-</u>	<u>1,087,632</u>
Supplemental Nutrition Assistance Program Cluster- State Administrative Matching Grants for SNAP Worksite Wellness	10.561	MDHHS	182MI123Q3903	-	7,558
Agricultural Conservation Easement Program	10.931	NRCS-MI	545D211401H61	-	776,405
				<u>-</u>	<u>776,405</u>
<b>Total U.S. Department of Agriculture</b>				<u>-</u>	<u>2,117,944</u>
<b>U.S. Department of Housing and Urban Development</b>					
Community Development Block Grant/Entitlement Grant Cluster:					
2010 Community Development Block Grant	14.218	Direct	B-10-UC-26-0006	101,906	103,466
2013 Community Development Block Grant	14.218	Direct	B-13-UC-26-0006	(26,889)	(26,889)
2014 Community Development Block Grant	14.218	Direct	B-14-UC-26-0006	48,236	63,917
2015 Community Development Block Grant	14.218	Direct	B-15-UC-26-0006	178,368	183,857
2016 Community Development Block Grant	14.218	Direct	B-16-UC-26-0006	101,194	461,417
2017 Community Development Block Grant	14.218	Direct	B-17-UC-26-0006	65,478	832,646
2018 Community Development Block Grant	14.218	Direct	B-18-UC-26-0006	258,747	328,589
				<u>727,040</u>	<u>1,947,003</u>
Emergency Shelter Grants Program:					
2016 Emergency Shelter Grants Program	14.231	Direct	E-16-UC-26-0006	-	28,128
2017 Emergency Shelter Grants Program	14.231	Direct	E-17-UC-26-0006	115,294	121,675
2018 Emergency Shelter Grants Program	14.231	Direct	E-18-UC-26-0006	19,891	22,933
2016 Emergency Shelter Grants Program	14.231	MSHDA	HML-2016-0783-ESF	7,514	17,166
2017 Emergency Shelter Grants Program	14.231	MSHDA	HML-2017-0783-ESF	242,468	365,486
2018 Emergency Shelter Grants Program	14.231	MSHDA	HML-2018-0783-ESF	60,832	66,439
				<u>445,999</u>	<u>621,827</u>
Home Investment Partnership Program:					
2014 HOME Investment Partnerships Program	14.239	Direct	M-14-UC-26-0006	3,629	3,629
2015 HOME Investment Partnerships Program	14.239	Direct	M-15-UC-26-0006	91,500	91,500
2016 HOME Investment Partnerships Program	14.239	Direct	M-16-UC-26-0006	9,651	9,651
2017 HOME Investment Partnerships Program	14.239	Direct	M-17-UC-26-0006	405,193	445,043
2018 HOME Investment Partnerships Program	14.239	Direct	M-18-UC-26-0006	-	65,796
				<u>509,973</u>	<u>615,619</u>
Continuum of Care Planning Grant:					
2017 Continuum of Care Planning Grant	14.267	Direct	MI0534L5F901600	-	30,651
2018 Continuum of Care Planning Grant	14.267	Direct	MI0583L5F091700	-	127,359
2017 Supportive Housing Program	14.267	Direct	MI0486L5F091601	-	100,209
2018 Supportive Housing Program	14.267	Direct	MI0486L5F091702	-	23,453
				<u>-</u>	<u>281,672</u>
<b>Total U.S. Department of Housing and Urban Development</b>				<u>1,683,012</u>	<u>3,466,121</u>
<b>U.S. Department of the Interior</b>					
Historic Preservation Fund Grants-In-Aid - Thornooks Neighborhood	15.904	MSHDA	CG16-433	-	192
<b>U.S. Department of Justice</b>					
Byrne Justice Assistance Grant - 2015 Byrne Justice Assistance Grant	16.738	Direct	2015-DJ-BX-0848	-	33,904

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WASHTENAW COUNTY

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2018

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
<b>U.S. Department of Transportation</b>					
Highway Planning and Construction Cluster - SEMCOG Multi Comm Planning Project	20.205	MDOT	n/a	-	20,480
Highway Safety Cluster:					
Strategic Traffic Enforcement Program - BELT/OWI	20.616	MOHSP	PT-18-21	\$ -	\$ 33,951
Strategic Traffic Enforcement Program - BELT/OWI	20.616	MOHSP	PT-19-33	-	6,424
Underage Drinking Grant 17-18	20.616	MOHSP	AL-18-41	-	1,265
				-	41,640
Hazardous Materials Emergency Preparedness Grant	20.703	MDSP	n/a	-	1,000
<b>Total U.S. Department of Transportation</b>				-	<b>63,120</b>
<b>U.S. Environmental Protection Agency</b>					
Clean Water State Revolving Fund Cluster - Capitalization Grants for Clean Water State Revolving Funds:					
Allen Creek SHK 5509.01	66.458	MDEQ	-n/a-	-	244,389
HRGI DD 5504.07	66.458	MDEQ	-n/a-	-	51,590
				-	295,979
Drinking Water State Revolving Fund Cluster - State Drinking Water Revolving Loan Fund Program:					
Capacity Development	66.468	MDEQ	FS975487-16	-	150
Operator Assistance	66.468	MDEQ	FS975487-16	-	1,849
				-	1,999
Performance Partnership Grants:					
2017 Water Stewardship/Clean Sweep	66.605	MDA	791N7700126	-	15,979
2018 Water Stewardship/Clean Sweep	66.605	MDA	791ESD3011	-	17,928
				-	33,907
<b>Total U.S. Environmental Protection Agency</b>				-	<b>331,885</b>
<b>U.S. Department of Energy</b>					
Weatherization Assistance for Low-Income Persons 2017					
	81.042	MDHHS	DE-EE0006161	-	151,626
Weatherization Assistance for Low-Income Persons 2018					
	81.042	MDHHS	DE-EE0007927	-	154,768
				-	306,394
<b>U.S. Department of Health and Human Services</b>					
Aging Cluster:					
Title III, Part C - Nutrition Services -2016	93.045	AAA1-B	16-9052-CH	-	10
Title III, Part C - Nutrition Services -2017	93.045	AAA1-B	17-9052-CH	136,250	564,885
Title III, Part C - Nutrition Services -2018	93.045	AAA1-B	18-9052-CH	27,500	233,814
				163,750	798,709
* Public Health Emergency Preparedness:					
10/1/17-6/30/18 PH EMERGENCY PREP	93.069	MDHHS	NU90TP921906	-	121,562
7/1/18-9/30/18 PH EMERGENCY PREP	93.069	MDHHS	NU90TP921906	-	39,922
				-	161,484
* Tuberculosis Control Program - Tuberculosis (TB) Control	93.116	MDHHS	U52PS004693	-	13,135
* Projects for Assistance in Transition from Homelessness (PATH)	93.150	MDHHS	E20170359-00	-	128,123
* Immunization Cooperative Agreements:					
Immunization Cooperative Agreements	93.268	MDHHS	N23IP000752	-	25,785
Immunization Cooperative Agreements - Vaccines	93.268	MDHHS	N23IP000752	-	132,076
Immunization Cooperative Agreements - Fixed Fees	93.268	MDHHS	N23IP000752	-	15,550
				-	173,411
* PPHF Capacity Building Assistance (Immunizations)	93.539	MDHHS	N23IP000752	-	118,452

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WASHTENAW COUNTY

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2018

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)					
* Child Support Enforcement:					
2017 Family Support Payments to States	93.563	MDHHS	CSFOC17-81001	\$ -	\$ 344,274
2017 Friend of the Court	93.563	MDHHS	CSFOC17-81001	-	3,229,441
2017 Prosecuting Attorney	93.563	MDHHS	CSPA17-81002	-	410,613
				-	3,984,328
Low-Income Home Energy Assistance:					
2017 Low-Income Home Energy Assistance Program	93.568	MDHHS	18B1MILIEA	-	132,514
2018 Low-Income Home Energy Assistance Program	93.568	MDHHS	19B1MILIEA	-	17,403
2017 Low-Income Home Energy Assistance Program - LCA	93.568	MDHHS	18B1MILIEA	-	2,003
2017-18 Michigan Energy Assistance LIHEAP Program	93.568	MCA	G-18B1MILIEA	17,625	170,520
				17,625	322,440
Community Services Block Grant:					
2017 Community Services Block Grant	93.569	MDHHS	18B1MICOSR	-	500,828
2017 Community Services Block Grant - Discretionary	93.569	MDHHS	18B1MICOSR	-	15,500
2018 Community Services Block Grant	93.569	MDHHS	19B1MICOSR	-	39,150
				-	555,478
ACA - State Innovation Model Testing					
* Community Health Innovation Region - 17-18	93.624	MDHHS/CHRT	20163703-00	-	122,400
* Community Health Innovation Region - 18-19	93.624	MDHHS/CHRT	20163703-00	-	33,481
				-	155,881
* 2017 Grants to States for Access and Visitation Program	93.597	SCAO	SCAO-2018-024	5,480	5,480
* Preventive Health and Health Services:					
Building Healthy Communities	93.758	MDHHS	NB010T009126	-	359,781
Tobacco Dependence Treatment	93.758	MDHHS	NB010T009126	122,699	158,554
Getting to the Heart of the Matter:					
Project Management	93.758	MDHHS	NB010T009126	-	51,585
Lifestyle Change	93.758	MDHHS	NB010T009126	180,000	180,000
Tobacco Dental	93.758	MDHHS	NB010T009126	58,760	69,809
Worksite Wellness	93.758	MDHHS	NB010T009126	100,000	100,000
Wise Choices	93.758	MDHHS	NB010T009126	-	30,000
				461,459	949,729
* Medicaid Cluster:					
Child Special Health Care	93.778	MDHHS	05 U05M15ADM	-	86,000
CSHCS Medicaid Outreach	93.778	MDHHS	05 U05M15ADM	-	68,856
Child Special Health Care - Care Coordination	93.778	MDHHS	05 U05M15ADM	-	8,648
CSHCS Medicaid Elevated Blood Lead	93.778	MDHHS	05 1205M15MAP	-	1,613
Medicaid Outreach - Advocate	93.778	MDHHS	05 U05M15ADM	-	332,197
Medicaid Outreach	93.778	MDHHS	05 U05M15ADM	-	40,023
Annual Resident Review (OBRA)	93.778	MDHHS	-n/a-	-	732,684
Medical Assistance Program - Medicaid Match	93.778	U OF M	E2018023-00	-	6,695
				-	1,276,716
HIV Prevention Project - HIV Prevention Activities	93.940	CMHPSM	NU62PS624530	-	48,394
* SMI Criminal Justice Involved Persons	93.958	CMHPSM	12B1MICMHS	-	25,980
* Children's Intensive Crisis Stabilization	93.958	MDHHS	20183025-00	-	10,013
				-	35,993
* Opioid Overdose Recovery Team	93.959	CMHPSM	E20170331-00	-	47,498
* Maternal and Child Health Services Block Grant:					
CSHCS	93.994	MDHHS	B04MC31495	-	26,158
Obesity	93.994	MDHHS	B04MC31495	-	79,484
CSHCS Care Coordination	93.994	MDHHS	B1M1MCHS	-	6,783
				-	112,425
Total U.S. Department of Health and Human Services				648,314	8,887,676
Corporation for National Community Service					
Foster Grandparent/Senior Companion Cluster:					
Foster Grandparent Program - 17-18	94.011	Direct	17SFNMI007	-	101,681
Foster Grandparent Program - 18-19	94.011	Direct	17SFNMI007	-	174,257
				-	275,938

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WASHTENAW COUNTY

**Schedule of Expenditures of Federal Awards**

For the Year Ended December 31, 2018

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
<b>Office of National Drug Control Policy</b>					
High Intensity Drug Trafficking Area:					
2016 Management and Coordination Initiative	95.001	MDSP	G16SM0003A	\$ -	\$ 20,471
2017 Management and Coordination Initiative	95.001	MDSP	G17SM0003A	-	1,219,480
2018 Management and Coordination Initiative	95.001	MDSP	G18SM0003A	-	455,508
				<u>-</u>	<u>1,695,459</u>
<b>U.S. Department of Homeland Security</b>					
Emergency Food and Shelter Program					
Emergency Food and Shelter Program	97.024	UWW	34-4832-00	-	(2,584)
Emergency Food and Shelter Program	97.024	UWW	35-4832-00	-	598
				<u>-</u>	<u>(1,986)</u>
2018 Emergency Management Performance Grant	97.042	MDSP	EMC-2018-EP-00002	-	59,531
Homeland Security Grant Program:					
2015 Homeland Security Grant Program	97.067	MDSP	2015 HSGP	-	42,707
2016 Homeland Security Grant Program	97.067	MDSP	2016 HSGP	-	83,612
2017 Homeland Security Grant Program	97.067	MDSP	2017 HSGP	-	185,145
				<u>-</u>	<u>311,464</u>
<b>Total U.S. Department of Homeland Security</b>				<u>-</u>	<u>369,009</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 2,331,326</u>	<u>\$ 17,547,642</u>

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, 2018, except as discussed below in Note 3. 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 position or cash flows of the County.

The County’s reporting entity is defined in Note 1 of the County’s Comprehensive Annual Financial Report. The County’s financial statements include the operations of the Washtenaw County Road Commission, which received federal awards that are not included in the Schedule for the year ended December 31, 2018, 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 elected not 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
CMHPSM	Community Mental Health Partnership of Southeast Michigan
MCA	Michigan Community Action Agency Association
MDA	Michigan Department of Agriculture
MDE	Michigan Department of Education
MDEQ	Michigan Department of Environmental Quality
MDHHS	Michigan Department of Health and Human Services

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# WASHTENAW COUNTY

## Notes to Schedule of Expenditures of Federal Awards

Pass-through Agency Abbreviation	Pass-through Agency Name
MDHHS/CHRT	Michigan Department of Health and Human Services/Center for Healthcare Research & Transformation
MDOT	Michigan Department of Transportation
MDSP	Michigan Department of State Police
MOHSP	Michigan Office of Highway Safety Planning
MSHDA	Michigan State Housing Development Authority
NRCS-MI	National Resources Conservation Service
SCAO	State Court Administrative Office
U of M	University of Michigan
UWW	United Way Worldwide

concluded.



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*

May 6, 2019

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, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated May 6, 2019. 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 first paragraph of this section 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 have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-002 to be a significant deficiency.

### Compliance and Other Matters

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

### Washtenaw County's Responses 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 "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

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

May 6, 2019

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, 2018. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

*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 audit 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, 2018.

### **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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### *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.

The image shows a handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

# WASHTENAW COUNTY

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2018

### 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?        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 deficiency(ies) identified?             yes        X   none reported

Any audit findings disclosed that are required  
to be reported in accordance with  
2 CFR 200.516(a)?             yes        X   no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of report</u>
10.931	Agricultural Conservation Easement Program	Unmodified
14.218	Community Development Block Grant/ Entitlement Grant Cluster	Unmodified
93.563	Child Support Enforcement	Unmodified
95.001	High Intensity Drug Trafficking Area Programs	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, 2018

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2018-001 - Material Audit Adjustments

**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.** We identified and proposed various adjustments (which were approved and posted by management) that were material to the County's financial statements, as follows:

- Public health special revenue fund beginning fund balance was initially understated and Title XIX Medicaid revenues were initially overstated by \$320,785;
- Public health special revenue fund accounts receivable and unearned revenue were initially understated by \$74,000;
- Taxes receivable and unearned revenue related to property taxes in the parks and recreation fund were initially overstated by \$84,380;
- Delinquent tax revolving enterprise fund taxes receivable and related revenues were initially overstated by \$150,886; and
- Accounts payable were initially misstated, as follows:
  - General fund was initially understated by \$33,204;
  - Parks and recreation special revenue fund was initially overstated by \$20,920;
  - Brownfield redevelopment authority component unit was initially understated by \$572,523; and
  - County capital projects was initially understated by \$165,000.

Additionally, certain audit files were not provided to the auditors timely and various audit schedules were not reviewed by an individual independent of the preparer.

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

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

**Recommendation.** Management has already taken appropriate corrective action by reviewing and approving the proposed audit adjustments.

**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 2018 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 accounting transactions 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 prepared and posted the appropriate journal entries to correct the condition.

## WASHTENAW COUNTY

### Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2018

Completion and independent review of various audit schedules will be improved in future years. The County has used complex schedules in various areas of the audit that have been created and maintained by one individual in prior years. This creates a scenario in which misstatements could occur and not be discovered in the course of normal year-end procedures by County employees. Procedures will be put in place to ensure an employee not involved in the creation of the workpapers reviews them prior to submission to external auditors.

The County experienced a great deal of internal transition during 2018. We transitioned to a new accounting system during the 2017 fiscal year and are continuing to refine our knowledge and procedures to provide the same complete and accurate record of our transactions we have in prior years. The County also experienced substantial turnover in key financial personnel including the departure of our long-term Accounting Director, the addition of two new external hires for positions in our Accounting department, and the replacement of our long-term financial operations manager in the Office of Community Economic Development.



# WASHTENAW COUNTY

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2018

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2018-002 - Timely Preparation of the Schedule of Expenditures of Federal Awards

**Finding Type.** Significant Deficiency 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 during and subsequent to fieldwork.

**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.

**Effect.** The County’s SEFA preparation process did not detect variances in the originally reported federal expenditures in a timely fashion.

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

**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 7, 2019. The first draft contained many estimated amounts since it was done prior to our being able to complete many of the year-end 2018 revenue and expenditure accruals. These accruals could not be finished until all of the vendor invoices sent to the County during January and February 2019 could be reviewed to see if they were for goods or services provided to the County during 2018. Going forward, we will look closely at our process for preparing the draft SEFA to review how our estimated amounts were determined and how we can improve our estimating methods so that the first draft of the SEFA and the final SEFA are more closely aligned, especially in the areas where significant adjustments were made during the current year.

One item that contributed to the complexity that drove the delays in detecting variances was the transition to our new accounting system during 2017. In particular, the new system utilizes a project ledger to record expenditures and revenues to specific grants. Our financial personnel are all continuing to develop familiarity with this ledger, and as such, when a technical issue occurred with a journal reversal it took a great deal of effort to understand what the effect was on this subsidiary ledger and how to correct it.

# WASHTENAW COUNTY

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2018

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

None noted.

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# WASHTENAW COUNTY

## Summary Schedule of Prior Audit Findings For the Year Ended December 31, 2018

None noted.

