

County of Monroe,
Michigan



Year Ended
December 31,
2015

Single Audit Act
Compliance

COUNTY OF MONROE, MICHIGAN

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

June 27, 2016

To the Board of Commissioners
of Monroe County
Monroe, 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 *Monroe County, Michigan* (the "County") as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 27, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by 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 financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rehmann Robson LLC

COUNTY OF MONROE, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Agriculture				
Child Nutrition Cluster:				
School Breakfast Program	10.553	MDE	58-000-8001	\$ 10,604
National School Lunch Program	10.555	MDE	58-000-8001	16,397
National School Lunch Program - Snack	10.555	MDE	58-000-8001	3,910
				<u>30,911</u>
Women, Infants and Children:				
2014/2015	10.557	MDHHS	20151751	395,620
2015/2016	10.557	MDHHS	20161700	104,559
				<u>500,179</u>
State Administration Matching Grants for Food Stamp Program:				
January 2015 - September 2015	10.561	MSF/SMCA	09-02-0004	74,323
October 2015 - December 2015	10.561	MSF/SMCA	09-02-0004	22,597
				<u>96,920</u>
Conservation Reserve Program	10.069	FSA	0286	<u>4,908</u>
Total U.S. Department of Agriculture				<u>632,918</u>
U.S. Department of Housing and Urban Development				
Community Development Block Grant/La-Z-Boy	14.228	MSHDA	MSC-212002-EDIG	<u>400,889</u>
U.S. Department of Justice				
State Criminal Alien Assistance Program	16.606	Direct	2012-AP-BX-0684	447
Operation Safe Monroe County	16.738	Direct	2014-DJ-BX-0878	<u>13,533</u>
Total U.S. Department of Justice				<u>13,980</u>
U.S. Department of Labor				
Employment Service:				
2014/2015	17.207	MSF/SMCA	10-02-0004	5,181
2014/2015	17.207	MSF/SMCA	10-02-0004	137,017
2015/2016	17.207	MSF/SMCA	10-02-0004	2,345
2015/2016	17.207	MSF/SMCA	10-02-0004	69,108
Employment Service TAA/NAFTA:				
2014/2015	17.207	MSF/SMCA	09-02-0004	7,905
2015/2016	17.207	MSF/SMCA	09-02-0004	4,116
				<u>225,672</u>
Trade Case Management:				
2014/2015	17.245	MSF/SMCA	13-02-0004	57,715
2015/2016	17.245	MSF/SMCA	13-02-0004	14,173
				<u>71,888</u>
WIA Cluster:				
WIA Adult Program:				
2014/2015	17.258	MSF/SMCA	13-02-0004	90,494
2015/2016	17.258	MSF/SMCA	13-02-0004	69,069

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COUNTY OF MONROE, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Labor (continued)				
WIA Dislocated Worker Program:				
2014/2015	17.278	MSF/SMCA	10-02-004	\$ 170,574
2015/2016	17.278	MSF/SMCA	10-02-004	136,328
Total WIA Cluster				<u>466,465</u>
Total U.S Department of Labor				<u>764,025</u>
U.S. Department of Transportation				
Safe Communities Grant	20.600	MOHSP	PT-15-35	<u>67,127</u>
U.S. Environmental Protection Agency				
Capitalization Grants for Clean Water State Revolving Funds:				
City of Monroe	66.458	MDEQ	#5495-01	86,757
Ida Raisinville Sewage Disposal System	66.458	MDEQ	#5564-01	402
				<u>87,159</u>
Beach Monitoring	66.472	MDEQ	N/A	<u>5,000</u>
Non-Community-Operator Assistance/Long-term Monitoring	66.468	MDEQ	N/A	<u>1,919</u>
Total U.S. Environmental Protection Agency				<u>94,078</u>
U.S. Department of Health and Human Services				
Child Support Enforcement:				
Title IV Incentive Payments	93.563	MDHHS	N/A	247,169
Friend of the Court/Prosecutor Combined:				
2014/2015	93.563	MDHHS	CSCOM 10-58003	1,057,548
2015/2016	93.563	MDHHS	CSCOM 10-58003	371,208
Total Child Support Enforcement				<u>1,675,925</u>
Foster Care Title IV E	93.658	MDHHS	PROFC-12-58001	<u>25,311</u>
Temporary Assistance for Needy Families:				
FIA				
January 2015 - September 2015	93.558	MSF/SMCA	13-02-0004	6,095
PATH Program:				
January 2015 - September 2015	93.558	MSF/SMCA	09-02-0004	381,265
October 2015 - December 2015	93.558	MSF/SMCA	09-02-0004	120,105
				<u>507,465</u>
Medical Reserve Corp Small Grant Program	93.008	NACCHO	MRC	3,500
Medical Reserve Corp Small Grant Program	93.008	R2	N/A	<u>2,500</u>
				<u>6,000</u>
Cooperative Agreements for Tuberculosis Control Programs:				
2014/2015	93.116	MDHHS	20151751	76
2015/2016	93.116	MDHHS	20161700	24
				<u>100</u>

continued...

COUNTY OF MONROE, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (continued)				
Center for Disease Control & Prevention -				
Ebola				
2014/2015	93.069	MDHHS	20151751	\$ 8,262
Investigations and Technical Assistance:				
2014/2015	93.069	MDHHS	20151751	113,372
2015/2016	93.069	MDHHS	20161700	27,293
				<u>148,927</u>
Family Planning Services:				
2014/2015	93.217	MDHHS	20151751	22,061
2015/2016	93.217	MDHHS	20161700	49,250
				<u>71,311</u>
Immunization Cluster:				
Federally Supplied Vaccines				
	93.268	MDHHS	N/A	<u>151,049</u>
VFC, AFIX and Nurse Training:				
2014/2015	93.268	MDHHS	20151751	7,700
2015/2016	93.268	MDHHS	20161700	1,800
				<u>9,500</u>
Immunization Assessment:				
2014/2015	93.268	MDHHS	20151751	58,089
2015/2016	93.268	MDHHS	20161700	18,534
				<u>76,623</u>
IMMS Billing:				
2014/2015	93.268	MDHHS	20151751	8,700
2015/2016	93.268	MDHHS	20161700	2,823
				<u>11,523</u>
Total Immunization Cluster				<u>248,695</u>
ARRA - Navigator:				
2014/2015	93.729	MDHHS	20151751	16,665
2015/2016	93.729	MDHHS	20161700	3,335
ARRA - Medicaid Incentive -				
2014/2015	93.729	MDHHS	20151751	17,000
				<u>37,000</u>
CSHCS Staffing Grant:				
2014/2015	93.778	MDHHS	20151751	8,277
2015/2016	93.778	MDHHS	20161700	1,716
Case Management:				
2014/2015	93.778	MDHHS	20151751	29,284
2015/2016	93.778	MDHHS	20161700	10,813
Medicaid Outreach:				
2014/2015	93.778	MDHHS	20151751	94,966
2015/2016	93.778	MDHHS	20161700	35,869
CSHCS Outreach -				
2014/2015	93.778	MDHHS	20151751	8,896
				<u>189,821</u>

continued...

COUNTY OF MONROE, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (continued)				
NAPSAAC - 2014/2015	93.945	MDHHS	20151751	\$ 6,000
Local Maternal and Child Health: 2014/2015	93.994	MDHHS	20151751	40,134
2015/2016	93.994	MDHHS	20161700	13,159
CSHCS Staffing Grant: 2014/2015	93.994	MDHHS	20130425	14,170
2015/2016	93.994	MDHHS	20130425	2,450
				<u>69,913</u>
Total U.S. Department of Health and Human Services				<u>2,986,468</u>
U.S. Department of Homeland Security				
Boating Safety Financial Assistance	97.012	MDNR	N/A	<u>15,100</u>
Performance	97.042	MDHHS	2015-EP-00029-S01	<u>26,065</u>
State Domestic Preparedness Equipment Support Program: Homeland Security Grant Program - 2013 Operation Stonegarden	97.067	MSP	2013-SS-00049	95,502
Homeland Security Grant Program - 2014 Operation Stonegarden	97.067	MSP	2014-SS-00059	2,400
2013 Homeland Security Grant UASI Region	97.067	MC	2013-SS-00055	155,142
2014 Homeland Security Grant UASI Region	97.067	MC	2014-SS-00059	174,343
Homeland Security Grant UASI SAP	97.067	MC	N/A	53,325
				<u>480,712</u>
Total U.S. Department of Homeland Security				<u>521,877</u>
Total Expenditures of Federal Awards				<u>\$ 5,481,362</u>

concluded.

See notes to schedule of expenditures of federal awards.

COUNTY OF MONROE, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Monroe County, Michigan (the "County") under programs of the federal government for the year ended December 31, 2015. 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 basic financial statements. The County's financial statements include the operations of the Monroe County Road Commission and Monroe County Community Mental Health Authority discretely presented component units, which received federal awards that are not included in the Schedule for the year ended December 31, 2015, as these entities were separately audited.

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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

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. PASS-THROUGH AGENCIES

The County receives certain federal grants as subawards from non-federal entities. Pass-through entity identifying numbers are presented where available. 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
FSA	Farm Service Agency
MC	Macomb County
MDHHS	Michigan Department of Health and Human Services
MDE	Michigan Department of Education
MDEQ	Michigan Department of Environmental Quality
MDNR	Michigan Department of Natural Resources
MOHSP	Michigan Office of Highway Safety Planning

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COUNTY OF MONROE, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

Pass-through Agency Abbreviation	Pass-through Agency Name
MSHDA	Michigan State Housing Development Authority
MSP	Michigan State Police
MSF	Michigan Strategic Fund
NACCHO	National Association of City and County Health Officials
R2	Region 2 Area Agency on Aging
SMCA	Southeast Michigan Community Alliance

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***

June 27, 2016

To the Board of Commissioners
of Monroe County
Monroe, 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 *Monroe County, Michigan* (the "County"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 27, 2016. Our report includes a reference to other auditors who audited the financial statements of the Monroe County Road Commission, Monroe County Community Mental Health Authority, Monroe County Library System and Monroe County Employees' Retirement System, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2015-001 through 2015-004 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*.

Monroe 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.

Rehmann Lohman LLC

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

June 27, 2016

To the Board of Commissioners
of Monroe County
Monroe, Michigan**Report on Compliance for Each Major Federal Program**

We have audited the compliance of *Monroe 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, 2015. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Monroe County Road Commission which received \$942,642 in federal awards, and which are not included in the schedule of expenditures of federal awards for the year ended December 31, 2015. Our audit, described below, did not include the operations of the Monroe County Road Commission because it arranged for a separate audit in accordance with the Uniform Guidance.

The County's basic financial statements also include the operations of the Monroe County Community Mental Health Authority, which received certain federal awards that are not included in the schedule of expenditures of federal awards for the year ended December 31, 2015. Our audit, described below, did not include the operations of the Monroe County Community Mental Health Authority because they arranged for a separate financial statement audit and did not meet the criteria for a single audit in accordance with the Uniform Guidance.

Management's Responsibility

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

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and 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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2015-005 through 2015-007. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-006 through 2015-008, that we consider to be significant deficiencies.

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

Purpose of this Report

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

Rehmann Lobson LLC

COUNTY OF MONROE, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? 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: Unmodified

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:

CFDA Number

Name of Federal Program or Cluster

10.557	Special Supplemental Food Program for Women, Infants and Children (WIC)
93.563	Child Support Enforcement
97.067	Homeland Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes X no

COUNTY OF MONROE, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

2015-001 - Material Audit Adjustment (repeat)

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

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

Condition. During our audit, we identified and proposed a certain material adjustment (which was approved and posted by management) to adjust the County's general ledger to the appropriate balances.

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

Effect. As a result of this condition, the following was initially misstated:

- Deferred inflows were understated by \$444,707, unearned revenue was overstated by \$2,704,561, and special assessment tax revenue was understated by \$2,259,854 in the drain capital projects fund.

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

View of Responsible Officials. Management has updated procedures to detect this type of error in the future.

COUNTY OF MONROE, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2015-002 - Prior Period Adjustments

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

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

Condition. Prior period adjustments were required to increase capital assets and net position to capitalize drain additions into construction in progress. Additionally, a prior period adjustment was required to decrease the liability recorded for other postemployment benefit (OPEB) obligations and increase net position. Before the material audit adjustments, assets were understated by \$2,234,726, liabilities were overstated by \$569,715 and net position was understated by \$2,804,441.

Cause. The Drain Commission was not familiar with the accounting standards for recording construction in progress and capitalizing additions and the County incorrectly recorded the County Agency OPEB obligation in governmental activities.

Effect. Accurate records were not kept for Drain Commission capital assets and the County's OPEB obligation, which resulted in additional audit work.

Recommendation. We recommend that the Drain Commission and the County implement procedures to verify that all supporting schedules are calculated based on appropriate information and any adjustments are properly reflected in the accounting records.

View of Responsible Officials. Procedures have been implemented to verify that supporting schedules are calculated properly and all adjustments are properly reflected in the accounting records.

COUNTY OF MONROE, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2015-003 - Accounting for Capital Assets

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

Criteria. The County should maintain complete and accurate capital assets records. The records should be updated and reviewed by the County for completeness and conformity to generally accepted accounting principles (GAAP).

Condition. The depreciation expense on the client prepared capital asset schedule did not agree to the amounts recorded in the general ledger for the technology internal service fund. Additionally, a project that should have been recorded as a capital asset addition was not included in the capital asset schedule.

Cause. Internal controls did not detect all of the necessary items to be capitalized and depreciated.

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

Recommendation. We recommend that the County implement procedures to verify that all capital asset additions are properly included and depreciated.

View of Responsible Officials. The County has implemented procedures to verify that all capital asset additions are properly included and depreciated.

COUNTY OF MONROE, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS (Concluded)

2015-004 - Drain Commission Accounting Records (repeat)

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

Criteria. Drain Commission management is responsible for maintaining its subsidiary accounting records and reconciling those records to the County's general ledger.

Condition. The County provided a detail from the Drain Commission's accounting system that is separate from the general ledger kept for the County as whole. They were unable to provide detail that agreed to the County's general ledger and there was no reconciliation available to determine the difference.

Cause. The Drain Commission does not have a procedure to reconcile a complete subsidiary detail to the general ledger for the Drain Commission accounts. Additionally, it appears that the Drain Commission was not posting all transactions to its records on a timely basis.

Effect. As a result of the condition, the County is exposed to an increased risk that misstatements, whether through error or fraud, may occur and not be prevented, or detected and corrected, on a timely basis. Transactions could have occurred that are not reflected in the County's general ledger.

Recommendation. We recommend the County implement procedures to ensure that all Drain Commission transactions are posted in timely manner and that all accounts are reconciled to the general ledger.

View of Responsible Officials. Procedures have been implemented to ensure that Drain Commission transactions are posted in a timely manner and accounts are reconciled to the general ledger. Management will review account reconciliations quarterly.

COUNTY OF MONROE, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2015

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2015-005 - Written Policies Required by the Uniform Grant Guidance

Finding Type. Immaterial noncompliance

Federal programs:

- Special Supplemental Nutrition Program for Women, Infants and Children (WIC) (CFDA# 10.557); Passed through the Michigan Department of Health and Human Services; Project number 20161700.
- Title IV-D Child Support Enforcement (CFDA# 93.563); Passed through the Michigan Department of Health and Human Services; Project number CSCOM 10-58003.
- Homeland Security Grant (CFDA# 97.067); Passed through Macomb County and the Michigan State Police; All project numbers.

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

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

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

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

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

View of Responsible Officials. Written policies have been developed to cover the following:

- (1) Payments (draws of federal funds and how to minimize the time elapsing between the receipt of federal funds and disbursement to contractors /employees/subcontractors).
- (2) Allowability of costs charged to federal programs.

COUNTY OF MONROE, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2015

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

2015-006 - Friend of the Court Expenditure Reports

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

Program: Title IV-D Child Support Enforcement (CFDA# 93.563); Passed through the Michigan Department of Health and Human Services; Project number CSCOM 10-58003.

Criteria. Per the grant agreement with the State, management is responsible to submit expenditure reports within thirty days after the month in which the expenditures were incurred.

Condition. The County is submitting its expenditure reports to the State after the thirty day timeframe that is required in its grant agreement.

Cause. This condition appears to be the result of internal controls not requiring time between when the expenditures are incurred and when the third party vendor prepares the reports to be minimized.

Effect. All of the expenditure reports that were examined were completed at least two months after the expenditures were incurred, which is not in compliance with the County's agreement with the State.

Recommendation. We recommend the County revise its procedures to ensure that expenditure reports are completed and submitted within the required timeframe.

View of Responsible Officials. The County has revised its procedures to ensure that expenditure reports are completed and submitted within the required timeframe.

COUNTY OF MONROE, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2015

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

2015-007 - Friend of the Court Insurance Allocation

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

Program: Title IV-D Child Support Enforcement (CFDA# 93.563); Passed through the Michigan Department of Health and Human Services; Project number CSCOM 10-58003.

Criteria. Per the OMB Compliance Supplement, charges to grants should be for actual costs (not based on estimated, budgeted or projected amounts).

Condition. Liability insurance costs were charged to the Friend of the Court business units based on budgeted rates determined at the beginning of the fiscal year. Two journal entries selected for testing had liability insurance costs being allocated based on budgeted rates. There was no quarterly or year-end reconciliation of actual costs to the amounts charged based on the budget.

Cause. This is the result of the County using budgeted rates to allocate costs, but not completing reconciliation or year-end adjustment to the actual costs based on the support prepared.

Effect. As a result of this condition, the County failed to fully comply with the requirements of the Title IV-D Child Support Enforcement program, and was exposed to an increased risk of future noncompliance.

Questioned Costs. \$17,419.

Recommendation. We recommend that the County modify its method for charging liability insurance costs to its grant accounts so that actual costs will be reflected in the business units without complex allocation adjustments.

View of Responsible Officials. General liability insurance charges will be adjusted based on actual wages for federally funded programs.

COUNTY OF MONROE, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2015

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

2015-008 - Reporting

Finding Type. Significant Deficiency in Internal Controls over Compliance.

Federal programs:

- Special Supplemental Nutrition Program for Women, Infants and Children (WIC) (CFDA# 10.557); Passed through the Michigan Department of Health and Human Services; Project number 20161700.
- Homeland Security Grant (CFDA# 97.067); Passed through the Michigan State Police; Project numbers 2014-SS-00059 and 2013-SS-00049.

Criteria. Financial Status Reports (FSRs) for WIC and expenditure reports for Operation Stonegarden grants, which are part of the Homeland Security grants, should have proper internal controls in place to verify the amounts being reported are correct.

Condition. FSRs were not reviewed for the WIC program and expenditure reports for the Operation Stonegarden grants were not reviewed by someone independent of report preparation.

Cause. Internal controls were not designed to require management approval of reports.

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

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

View of Responsible Officials. Practices have been changed for the WIC-Health Department and Operation Stonegarden draw requests. Starting with March 2016, requests will be reviewed and signed prior to submission.



COUNTY OF MONROE, MICHIGAN

Summary Schedule of Prior Year Audit Findings

For the Year Ended December 31, 2015

Finding 2014-001 - Material Audit Adjustments

Several material audit adjustments were identified and proposed (which were approved and posted by management) to adjust the County's general ledger to the appropriate balances. Corrective action was not sufficient. This finding has been repeated as item 2015-001.

Finding 2014-002 - Bond and Restitution Payables

The County was able to provide current year reconciliations to the general ledger for the changes in the bond and restitution accounts, however, they were unable to provide a detail of what comprises the ending balance. This finding has been adequately resolved.

Finding 2014-003 - Drain Commission Accounting Records

The Drain Commission's accounting system is separate from the general ledger kept for the County as whole. The Drain Commission was unable to provide detail that agreed to the County's general ledger and there was no reconciliation available to determine the difference. Corrective action was not sufficient. This finding has been repeated as item 2015-004.

Finding 2014-004 - County Agency Component Unit Financial Statements

We examined the County Agency financial statements for the year ended December 31, 2014, and noted certain deficiencies. These deficiencies included the classification and presentation of the fund financial information and the manner in which that is combined/eliminated for purposes of producing the government-wide financial statements of the County Agency that appear highly unusual, and do not appear to conform to the presentation typical of similar entities across the state. This finding has been adequately resolved.

Finding 2014-005 - Cash Management

Three expenses out of 51 tested for the Homeland Security grant program (CFDA #97.067) were requested for reimbursement before they were paid. This finding has been adequately resolved.

Finding 2014-006 - Subrecipient Monitoring

The County indicated that they have meetings and other regular contact with their subrecipients, but they do not have agreements, complete on-site visits or otherwise document their communication with their subrecipients. This finding has been adequately resolved.

Finding 2014-007 - Procurement; Suspension & Debarment - Verification

The County indicated that they check the SAM.gov website to verify that vendors are not suspended or debarred. However, staff performing this procedure do not retain any documentation to prove the verification was performed. This finding has been adequately resolved.

COUNTY OF MONROE, MICHIGAN

Summary Schedule of Prior Year Audit Findings

For the Year Ended December 31, 2015

Finding 2014-008 - Homeland Security Reimbursement Requests

We noted that the County was requesting reimbursement for expenses incurred in the prior year several months into the fiscal year under audit. They were unable to provide a detail of draw requests that agreed to the amounts recorded in the ledger and on the schedule of expenditures of federal awards. This finding has been adequately resolved.

