

County of Monroe,
Michigan



Year Ended
December 31,
2016

Single Audit Act
Compliance

COUNTY OF MONROE, MICHIGAN

Table of Contents

	<u>Page</u>
Independent Auditors' Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	1
Schedule of Expenditures of Federal Awards	2
Notes to Schedule of Expenditures of Federal Awards	5
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 <i>Government Auditing Standards</i>	7
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	9
Schedule of Findings and Questioned Costs	11
Summary Schedule of Prior Year Audit Findings	16



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

June 15, 2017

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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 15, 2017, 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, 2016

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	\$ 11,557
National School Lunch Program	10.555	MDE	58-000-8001	18,033
National School Lunch Program - Snack	10.555	MDE	58-000-8001	4,753
				<u>34,343</u>
Women, Infants and Children:				
2015/2016	10.557	MDHHS	20161700	433,179
2016/2017	10.557	MDHHS	20170266	153,309
				<u>586,488</u>
State Admin Matching Grants for Food Stamp Program:				
Jan to Sept 16	10.561	MSF/SMCA	09-02-0004	71,058
Oct to Dec 16	10.561	MSF/SMCA	09-02-0004	26,034
				<u>97,092</u>
Conservation Reserve Program	10.069	FSA	0286	<u>4,908</u>
Total U.S. Department of Agriculture				<u>722,831</u>
U.S. Department of Justice				
Operation Safe Monroe County	16.738	Direct	2015-DJ-BX-0516	10,409
Operation Safe Monroe County	16.738	Direct	2016-DJ-BX-0665	894
				<u>11,303</u>
Total U.S. Department of Justice				<u>11,303</u>
U.S. Department of Labor				
Employment Service:				
2015/2016	17.207	MSF/SMCA	13-02-0004	95,607
2016/2017	17.207	MSF/SMCA	13-02-0004	41,290
Employment Service TAA/NAFTA:				
2015/2016	17.207	MSF/SMCA	13-02-0004	3,386
2016/2017	17.207	MSF/SMCA	13-02-0004	1,167
				<u>141,450</u>
Trade Case Management:				
2015/2016	17.245	MSF/SMCA	13-02-0004	18,371
2016/2017	17.245	MSF/SMCA	13-02-0004	27,988
				<u>46,359</u>
WIOA Cluster:				
WIOA Adult Program:				
2015/2016	17.258	MSF/SMCA	13-02-0004	73,919
2016/2017	17.258	MSF/SMCA	13-02-0004	112,949
				<u>186,868</u>
WIOA Dislocated Worker Program:				
2015/2016	17.278	MSF/SMCA	13-02-0004	163,920
2016/2017	17.278	MSF/SMCA	13-02-0004	104,023
				<u>267,943</u>
Total WIOA Cluster				<u>454,811</u>
Total U.S. Department of Labor				<u>642,620</u>

continued...

COUNTY OF MONROE, MICHIGAN

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	Federal Expenditures
U.S. Department of Transportation				
Safe Communities Grant	20.600	MOHSP	PT-16-16	\$ 55,320
Safe Communities Grant	20.600	MOHSP	PT-17-26	10,986
Total U.S. Department of Transportation				66,306
U.S. Environmental Protection Agency				
Beach Monitoring	66.472	MDEQ	N/A	7,000
Non-Community-Water Supply	66.468	MDEQ	N/A	1,563
Non-Community-Capacity Development	66.468	MDEQ	N/A	100
Non-Community-Operator Assistance	66.468	MDEQ	N/A	1,458
Total U.S. Environmental Protection Agency				10,121
U.S. Department of Health and Human Services				
Child Support Enforcement:				
Title IV Incentive Payments	93.563	MDHHS	N/A	256,402
Friend of the Court/Prosecutor Combined:				
2015/2016	93.563	MDHHS	CSCOM13-58003	1,043,031
2016/2017	93.563	MDHHS	CSCOM17-58003	378,807
				1,678,240
Foster Care Title IV E	93.658	MDHHS	PROFC-12-58001	23,211
Temporary Assistance for Needy Families:				
PATH Program:				
Jan to Sept 16	93.558	MSF/SMCA	09-02-0004	342,931
Oct to Dec 16	93.558	MSF/SMCA	09-02-0004	10,969
FIA -				
Jan to Sept 16	93.558	MSF/SMCA	13-02-0004	5,000
				358,900
Medical Reserve Corp Small Grant Program	93.008	R2	N/A	15,000
Cooperative Agreements for Tuberculosis Control Program:				
2015-2016	93.116	MDHHS	20161700	76
2016-2017	93.116	MDHHS	20170266	24
				100
Center for Disease Control & Prevention:				
Bioterrorism:				
2015/2016	93.069	MDHHS	20161700	78,571
2016/2017	93.069	MDHHS	20170266	24,949
Ebola:				
2015/2016	93.069	MDHHS	20161700	7,541
2016/2017	93.069	MDHHS	20170266	1,561
				112,622
Family Planning Services:				
2015/2016	93.217	MDHHS	20161700	26,487
2016/2017	93.217	MDHHS	20170266	24,560
				51,047

continued...

COUNTY OF MONROE, MICHIGAN

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	Federal Expenditures
U.S. Department of Health and Human Services (concluded)				
Immunization Grants:				
Federally Supplied Vaccines	93.268	MDHHS	N/A	\$ 143,199
Immunization Assessment:				
2015/2016	93.268	MDHHS	20161700	12,234
2016/2017	93.268	MDHHS	20170266	12,303
IMMS Billing -				
2015/2016	93.268	MDHHS	20161700	12,477
				<u>180,213</u>
ARRA-Navigator				
2016/2017	93.729	MDHHS	20170266	<u>20,833</u>
Case Management:				
2015/2016	93.778	MDHHS	20161700	29,187
2016/2017	93.778	MDHHS	20170266	14,140
				<u>43,327</u>
Medicaid Outreach:				
2015/2016	93.778	MDHHS	20161700	102,921
2016/2017	93.778	MDHHS	20170266	33,932
				<u>136,853</u>
CSHCS Outreach -				
2015/2016	93.778	MDHHS	20161700	15,120
				<u>195,300</u>
NAPSAAC -				
2015/2016	93.945	MDHHS	20161700	<u>5,000</u>
Local Maternal and Child Health:				
Enabling Services Women and Children 2015/2016	93.994	MDHHS	20161700	49,334
Enabling Services Children 2016/2017	93.994	MDHHS	20170266	8,462
Family Planning Services 2015/2016	93.994	MDHHS	20161700	7,625
Family Planning Services 2016/2017	93.994	MDHHS	20170266	7,070
Infant Safe Sleep	93.994	MDHHS	20170266	1,114
				<u>73,605</u>
Total U.S. Department of Health and Human Services				<u>2,714,071</u>
U.S. Department of Homeland Security				
Boating Safety Financial Assistance	97.012	MDNR	N/A	<u>19,000</u>
Performance	97.042	MDHHS	2015-EP-00029-S01	<u>42,587</u>
State Domestic Preparedness Equipment Support Program:				
Homeland Security Grant Program - 2014 Operation Stonegarden	97.067	MSP	2014-SS-00059	41,638
Homeland Security Grant Program - 2015 Operation Stonegarden	97.067	MSP	2015-SS-00033	18,905
2014 Homeland Security Grant UASI Region	97.067	MSP, MC	2014-SS-00059	201,793
2015 Homeland Security Grant UASI Region	97.067	MSP, MC	2015-SS-00033	121,353
				<u>383,689</u>
Total U.S. Department of Homeland Security				<u>445,276</u>
Total Expenditures of Federal Awards				<u>\$ 4,612,528</u>

See notes to schedule of expenditures of federal awards.

concluded.

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, 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 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, 2016, 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

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. 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

continued...

COUNTY OF MONROE, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

Pass-through Agency Abbreviation	Pass-through Agency Name
----------------------------------	--------------------------

MSP	Michigan State Police
MSF	Michigan Strategic Fund
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 15, 2017

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, 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 June 15, 2017. 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 and another deficiency that we consider to be a significant deficiency.

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, 2016-002 and 2016-003 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2016-004 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*.

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.

A handwritten signature in black ink that reads "Rehmann 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**

June 15, 2017

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, 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 also include the operations of the Monroe County Community Mental Health Authority and the Monroe County Road Commission, which received certain federal awards that are not included in the schedule of expenditures of federal awards for the year ended December 31, 2016. Our audit, described below, did not include the operations of the Monroe County Community Mental Health Authority or the Monroe County Road Commission 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 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.

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.



COUNTY OF MONROE, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2016

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? yes X 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)? yes X no

Identification of major programs:

CFDA Number

10.557

93.563

Name of Federal Program or Cluster

Special Supplemental Food Program for Women, Infants and Children (WIC)
Child Support Enforcement

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, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

2016-001 - Material Audit Adjustments (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 certain material adjustments (which were 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:

- Incurred but not reported (IBNR) claims and the related expense were understated by \$811,222 in the liability insurance internal service fund.
- Due from other governments and the related revenues were overstated by \$142,253 in the county health fund.
- Taxes receivable and property tax revenues were overstated by a combined \$421,000 in the senior center, social services fairview infirmary, historical commission museum and other combined special revenue funds. Of the total, \$289,500 was material to the senior center special revenue 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, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2016-002 - 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. The Drain Commissioner will engage an independent public audit firm to assist in developing reconciliation procedures.

COUNTY OF MONROE, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2016-003 - County Agency Accounting Records

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 material adjustments (which were approved and posted by management) to adjust the County Agency's general ledger to the appropriate balances.

Cause. Internal controls did not detect all adjustments necessary to properly record year-end balances or to record audit adjustments from the prior year's audit.

Effect. As a result of this condition, the following beginning balances were initially misstated:

- For all funds, the net pension liability was understated by \$3,625,460, deferred pension outflows were understated by \$655,063, the OPEB obligation was understated by \$659,573, leases receivable was understated by \$75,774,161, bonds payable was understated by \$76,453,445, interest payable was understated by \$475,118 and net position was overstated by \$4,784,372.

Additionally, the following balances were initially misstated:

- For all funds, the net pension liability was understated by \$952,698, deferred pension outflows were understated by \$804,229, the deferred pension inflow was understated by \$72,791 and pension expense was understated by \$221,251.
- Bonds payable and principal expense were overstated by \$7,405,000 in the construction projects and debt servicing fund.
- Leases receivable and construction costs were understated by \$1,465,183 in the construction projects and debt servicing fund.
- Leases receivable and contribution revenue were overstated by \$7,403,400 in the construction projects and debt servicing fund.

Recommendation. We recommend that the County Agency set up the required accounts and post the audit entries to its records. Additionally, the County should develop the expertise, or otherwise engage a third-party with the expertise to make the required year-end adjustments.

View of Responsible Officials. We concur with the recommendation and have met with a third party to help establish the procedures and expertise. The County Agency will engage the services of an independent public audit firm to set up the proper accounts and in order to report transactions in a timely manner. All accounts will be reconciled to the general ledger.

COUNTY OF MONROE, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS (Concluded)

2016-004 - Documentation and Support for Journal Entries

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. Management is responsible for establishing effective internal controls to safeguard the County's assets, and to prevent or detect misstatements to the financial statements. Journal entries, while an essential part of any accounting system, represent an opportunity to enter information into the County's records in a way that bypasses normal internal controls. Accordingly, the County should have a system in place to ensure that all journal entries and similar adjustments made to the County's accounting records are reviewed and approved by an appropriate member of management, independent of the preparer. In addition, supporting documentation should be retained for all journal entries.

Condition. Supporting documentation was not created by the Treasurer's Office for a tax transfer entry that was requested. In addition, given that there was no support for it, an independent person could not have sufficiently reviewed and approved it.

Cause. This condition appears to be the result of the County not adhering to established internal control policies and procedures.

Effect. The County was exposed to an increased risk that misstatements, whether caused by error or fraud, could occur and not be detected by management in a timely manner.

Recommendation. We recommend the County follow its internal control policies and procedures that require independent review and supporting documentation of all journal entry transactions.

View of Responsible Officials. Documentation will be attached to all journal entries, unless excessive. In that case, the location of the supporting documents will be noted on the journal entry.

COUNTY OF MONROE, MICHIGAN

Summary Schedule of Prior Year Audit Findings

For the Year Ended December 31, 2016

Finding 2015-001 - Material Audit Adjustments

A certain material audit adjustment was identified and proposed (which was 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 2016-001.

Finding 2015-002 - Prior Period Adjustments

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. This finding has been adequately resolved.

Finding 2015-003 - Accounting for Capital Assets

Complete and accurate capital assets records are required to be maintained. The depreciation expense on the 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. This finding has been adequately resolved.

Finding 2015-004 - 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 2016-002.

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

Although the County has processes in place to address payments and allowability of costs, there were no formal written policies covering these areas. This finding has been adequately resolved.

Finding 2015-006 - Friend of the Court Expenditure Reports

The County was submitting its expenditure reports to the State after the thirty day timeframe that is required in its grant agreement. This finding has been adequately resolved.

Finding 2015-007 - Friend of the Court Insurance Allocation

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. There was no quarterly or year-end reconciliation of actual costs to the amounts charged based on the budget. This finding has been adequately resolved.

COUNTY OF MONROE, MICHIGAN

Summary Schedule of Prior Year Audit Findings

For the Year Ended December 31, 2016

Finding 2015-008 - Reporting

Financial Status Reports (FSRs) were not reviewed for the Women, Infants and Children (WIC) program and expenditure reports for the Operation Stonegarden homeland security grants were not reviewed by someone independent of report preparation. This finding has been adequately resolved.

