

County of Monroe,
Michigan



Year Ended
December 31,
2011

Single Audit Act
Compliance

COUNTY OF MONROE, MICHIGAN

■ Table of Contents

	<u>Page</u>
Independent Auditors' Report on Schedule of Expenditures of Federal Awards	1
Schedule of Expenditures of Federal Awards	2
Notes to Schedule of Expenditures of Federal Awards	6
Independent Auditor's 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>	8
Independent Auditor's Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	10
Schedule of Findings and Questioned Costs	12
Summary Schedule of Prior Year Federal Audit Findings	16



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

June 18, 2012

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*, as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements, and have issued our report thereon dated June 18, 2012. Our report includes a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.



COUNTY OF MONROE, MICHIGAN

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

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	\$ 15,242
ARRA National School Lunch Program	10.555	MDE	58-000-8001	23,538
				<u>38,780</u>
Women, Infants and Children 2010/2011:				
2010/2011	10.557	MDCH	20111370	429,361
2011/2012	10.557	MDCH	20121171	170,832
				<u>600,193</u>
State Admin Matching Grants for Food Stamp Program:				
Jan to Sept 11	10.561	MSF/SMCA	09-02-0004	23,062
Oct to Dec 11	10.561	MSF/SMCA	09-02-0004	11,737
				<u>34,799</u>
Conservation Reserve Program	10.069	FSA	0286	<u>4,908</u>
Total U.S. Department of Agriculture				<u>678,680</u>
U.S. Department of Housing and Urban Development				
Community Development Block Grant/ State Program	14.228	MSHDA	MSC-204001-EDIG	208,306
Community Development Block Grant/ State Program	14.228	MSHDA	MSC-2009-0780-HOA	156,436
Total U.S. Department of Housing and Urban Development				<u>364,742</u>
U.S. Department of Justice				
Edward Byrne Memorial Justice Assistance Grant	16.738	Direct	2009-DJ-BX-0158	419
ARRA - Byrne Memorial Justice Assistance Grant	16.804	Direct	2009-SB-B9-2232	75,016
State Criminal Alien Assistance Program	16.606	Direct	2010-AP-BX-306	1,836
Bullet Proof Vest Partnership	16.607	Direct	N/A	3,383
Operation Safe Monroe County	16.738	Direct	2011-DJ-BX-3044	<u>2,388</u>
Total U.S. Department of Justice				<u>83,042</u>
U.S. Department of Labor				
Employment Service:				
2010/2011	17.207	MSF/SMCA	10-02-0004	141,398
2011/2012	17.207	MSF/SMCA	10-02-0004	119,866
				<u>261,264</u>
Employment Service TAA/NAFTA:				
2010/2011	17.207	MSF/SMCA	09-02-0004	974
2011/2012	17.207	MSF/SMCA	09-02-0004	15,239
				<u>16,213</u>
WIA Adult Program:				
2010/2011	17.258	MSF/SMCA	10-02-0004	119,715
2011/2012	17.258	MSF/SMCA	10-02-0004	107,561
				<u>227,276</u>
WIA Dislocated Worker Program:				
2010/2011	17.260	MSF/SMCA	10-02-004	268,976
2011/2012	17.260	MSF/SMCA	10-02-004	167,579
				<u>436,555</u>

continued...

COUNTY OF MONROE, MICHIGAN

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

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Labor (concluded)				
WIA Statewide Program - 2009/2010	17.261	MSF/SMCA	10-02-0004	\$ 53,957
Aging Worker Initiative:				
2010/2011	17.268	MSF/SMCA	10-02-0004	4,801
2011/2012	17.268	MSF/SMCA	10-02-0004	2,182
				<u>6,983</u>
Total U.S Department of Labor				<u>1,002,248</u>
U.S. Department of Transportation				
Safe Communities Grant	20.600	MOHSP	PT-12-16	1,069
Safe Communities Grant	20.600	MOHSP	PT-11-28	58,019
Total U.S. Department of Transportation				<u>59,088</u>
U.S. Environmental Protection Agency				
Performance Partnership Grants- Clean Sweep	66.605	MDA	N/A	11,764
Beach Monitoring	66.472	MDEQ	N/A	5,763
GLRI Great Lakes Back	66.469	MDEQ	N/A	28,742
Operations of Small Water Systems Certification and Training	66.471	MDEQ	N/A	611
Total U.S. Environmental Protection Agency				<u>46,880</u>
U.S. Department of Energy				
Energy Efficiency and Conservation Block Grant	81.128	MSF/SMCA	BES-10-122	154,136
U.S. Department of Health and Human Services				
Child Support Enforcement:				
Title IV Incentive Payments	93.563	MDHS	N/A	229,849
Friend of the Court/Prosecutor Combined:				
2010/2011	93.563	MDHS	CSCOM 10-58003	1,018,156
2011/2012	93.563	MDHS	CSCOM 10-58003	323,677
				<u>1,341,833</u>
Foster Care Title IV E	93.658	MDHS	PROFC-11-58001	14,162
Temporary Assistance for Needy Families:				
JET Program:				
Jan to Sept 11	93.558	MSF/SMCA	09-02-0004	473,875
Oct to Dec 11	93.558	MSF/SMCA	09-02-0004	143,512
				<u>617,387</u>
Medical Reserve Corp Small Grant Program	93.008	NACCHO	MRC 10 1426	5,000
CDC Investigation and Technical Assistance - Diabetes Today	93.283	NACCHO	210-092207	5,000

continued...

COUNTY OF MONROE, MICHIGAN

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

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (continued)				
Medical Reserve Corp Small Grant Program	93.008	R2	N/A	\$ 10,000
Cooperative Agreements for Tuberculosis Control Programs	93.116	MDCH	20121171	24
Public Health Emergency Preparedness - Pandemic Flu 2010/2011	93.069	MDCH	20111370	213,055
Center for Disease Control & Prevention - Investigations and Technical Assistance: 2010/2011	93.069	MDCH	20111370	110,516
2011/2012	93.069	MDCH	20121171	25,038
				<u>135,554</u>
Family Planning Services: 2010/2011	93.217	MDCH	20111370	74,696
2011/2012	93.217	MDCH	20121171	21,867
				<u>96,563</u>
Immunization Cluster: Federally Supplied Vaccines	93.268	MDCH	N/A	229,198
ARRA Federally Supplied Vaccines	93.712	MDCH	N/A	11,909
VFC, AFIX and Nurse Training: 2010/2011	93.268	MDCH	20111370	5,500
2011/2012	93.268	MDCH	20121171	450
Immunization Assessment: 2010/2011	93.268	MDCH	20111370	48,200
2011/2012	93.268	MDCH	20121171	35,408
ARRA- Immunization Reaching More - 2010/2011	93.712	MDCH	20111370	12,090
				<u>342,755</u>
ARRA- Prevention and Wellness 2010/2011	93.723	MDCH	20111370	26,588
2011/2012	93.723	MDCH	20121171	5,222
				<u>31,810</u>
CSHCS Staffing Grant 2010/2011	93.778	MDCH	20111370	37,853
2011/2012	93.778	MDCH	20121171	18,802
				<u>56,655</u>
CSHCS Fixed Fees 2010/2011	93.778	MDCH	20111370	11,710
Medicaid Outreach 2010/2011	93.778	MDCH	20111370	76,620
2011/2012	93.778	MDCH	20121171	12,883
				<u>89,503</u>

continued...

COUNTY OF MONROE, MICHIGAN

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

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (concluded)				
CSHCS Outreach 2010/2011	93.778	MDCH	20111370	\$ 63,042
Preventive Health and Health Services- Healthy Communities 2010/2011	93.991	MDCH	20111370	1,572
CSHCS Fixed Fees 2010/2011	93.994	MDCH	20111370	5,460
2011/2012	93.994	MDCH	20121171	3,655
				<u>9,115</u>
Local Maternal and Child Health 2010/2011	93.994	MDCH	20111370	49,387
2011/2012	93.994	MDCH	20121171	9,427
				<u>58,814</u>
CSHCS Staffing Grant 2010/2011	93.994	MDCH	20111370	16,590
2011/2012	93.994	MDCH	20121171	18,889
				<u>35,479</u>
Total U.S. Department of Health and Human Services				<u>3,368,882</u>
U.S Department of Homeland Security				
Boating Safety Financial Assistance	97.012	MDNR	N/A	12,375
Law Enforcement Terrorism Prevention Program	97.074	ODPS	N/A	16,853
2008 Port Security Program	97.056	MSP	2008-GB-TB-0062	5,837
State Domestic Preparedness Equipment Support Program: Emergency Management Performance Grants	97.042	MSP	2010-EP-00-0002	27,502
Homeland Security Cluster: Homeland Security Grant Program - 2009 Operation Stonegarden	97.067	MSP	2009-SJ-0007	16,303
Homeland Security Grant Program - 2010 Operation Stonegarden	97.067	MSP	210-SS-TO-0009	39,200
2008 Homeland Security Grant UASI Region	97.067	MSP, OC	N/A	320,755
				<u>376,258</u>
Total U.S. Department of Homeland Security				<u>438,825</u>
Total Expenditures of Federal Awards				<u>\$ 6,196,523</u>

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, 2011. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets or cash flows of the County.

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, Monroe County Library System and Monroe County Agency discretely-presented component units, which received federal awards that are not included in the Schedule for the year ended December 31, 2011, as these entities were 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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

COUNTY OF MONROE, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

3. PASS-THROUGH AGENCIES

The County receives certain federal grants as subawards 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
FSA	Farm Service Agency
MDA	Michigan Department of Agriculture
MDCH	Michigan Department of Community Health
MDE	Michigan Department of Education
MDEQ	Michigan Department of Environmental Quality
MDHS	Michigan Department of Human Services
MDLEG	Michigan Department of Labor and Economic Growth
MDNR	Michigan Department of Natural Resources
MOHSP	Michigan Office of Highway Safety Planning
MSHDA	Michigan State Housing Development Authority
MSP	Michigan State Police
MSF	Michigan Strategic Fund
NACCHO	National Association of City and County Health Officials
OC	Oakland County
ODPS	Ohio Department of Public Safety
R2	Region 2 Area Agency on Aging
SMCA	Southeast Michigan Community Alliance

4. SUBRECIPIENTS

The County administers certain federal awards programs through subrecipients. Those subrecipients are not considered part of the County's reporting entity. Of the federal expenditures presented in the Schedule, the County provided federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount Provided to Subrecipients
CDBG (MSC-2009-0780-HOA)	14.228	\$ 86,116
CDBG (MSC-204001-EDIG)	14.228	208,306

**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 18, 2012

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, 2011, which collectively comprise the basic financial statements of the County, and have issued our report thereon dated June 18, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of Monroe County, Michigan is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Monroe County, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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

Compliance and Other Matters

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

We noted certain other matters that we reported to management of Monroe County, Michigan in a separate letter dated June 18, 2012.

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

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, it is a matter of public record, and its distribution is not limited.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

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

June 18, 2012

To the Board of Commissioners of
Monroe County
Monroe, Michigan

Compliance

We have audited Monroe County, Michigan's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of Monroe County, Michigan's major federal programs for the year ended December 31, 2011. Monroe County, Michigan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of Monroe County, Michigan's management. Our responsibility is to express an opinion on Monroe County, Michigan's compliance based on our audit. Monroe County, Michigan's basic financial statements include the operations of the Monroe County Road Commission, Monroe County Library System and the Monroe County Agency discretely presented component units. Our audit, described below, did not include the operations of the Monroe County Road Commission, Monroe County Library System or the Monroe County Agency because those component units arranged to have their audits completed separately.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Monroe County, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit and the reports of the other auditors provide a reasonable basis for our opinion. Our audit does not provide a legal determination of Monroe County, Michigan's compliance with those requirements.

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

Internal Control Over Compliance

Management of Monroe County, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Monroe County, Michigan's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Monroe County, Michigan's internal control over compliance.

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

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

Monroe County, Michigan's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit Monroe County, Michigan's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the organization, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, it is a matter of public record, and its distribution is not limited.



COUNTY OF MONROE, MICHIGAN

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

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? X yes none reported

Type of auditors' report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)? X yes no

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

10.557	Women, Infants and Children
97.067	Homeland Security Cluster
14.228	CDBG - State-Administered Small Cities Program Cluster
93.558	Temporary Assistance for Needy Families Cluster
93.563	Child Support Enforcement
81.128	Energy Efficiency and Conservation Block Grant Program

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

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, 2011

SECTION II - FINANCIAL STATEMENT FINDINGS

2011-FS-1 - Material Audit 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.

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 areas were initially misstated:

- Accounts receivable and employer contributions were both overstated by approximately \$561,000 in the health insurance internal service fund.
- Delinquent taxes receivable and accounts payable were both understated by approximately \$297,000 in the delinquent tax revolving enterprise fund.

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

View of Responsible Officials. Management agrees with the adjustments proposed by its auditors, and they have been posted in the County's records.

COUNTY OF MONROE, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2011

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2011-SA-1 - Review and Reconciliation of Subrecipient Audits

Finding Type. Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Subrecipient Monitoring).

Program. Community Development Block Grant - State-Administered Small Cities Program Cluster; U.S. Department of Housing and Urban Development; CFDA Number 14.228; Award Numbers MSC-204001-EDIG and MSC-2009-0780-HOA.

Criteria. Recipients of federal awards that subgrant funds to other entities are responsible for compliance with requirements related to subrecipient monitoring, as detailed in the *OMB Circular A-133 Compliance Supplement*. Such requirements include, among other things, obtaining audited financial statements and the single audit report of the subrecipient, ensuring the required audits were completed within nine months of the end of the subrecipient's audit period, issuing a management decision on audit findings within six months after receipt of the subrecipient's audit report and ensuring that the subrecipient takes timely and appropriate action on all audit findings.

Condition. The County does not obtain the financial statements and single audit reports of its subrecipients.

Cause. This condition appears to have been caused by an incomplete understanding of the requirements as they relate to subrecipient monitoring.

Effect. As a result of this condition, the County did not fully comply with the requirements applicable to subrecipient monitoring.

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

Recommendation. The County should obtain the audited financial statements and single audit reports (when applicable) for each of its subrecipients to ensure that they have met the requirements of OMB Circular A-133 and that they have taken timely and appropriate corrective action on all audit findings.

View of Responsible Officials. Management agrees and will modify its processes to include the above-recommended procedures.

COUNTY OF MONROE, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2011

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2011-SA-2 - Citizen Participation and Required Certifications and HUD Approvals

Finding Type. Immaterial Noncompliance (Special Tests and Provisions).

Program. Community Development Block Grant - State - Administered Small Cities Program Cluster; U.S. Department of Housing and Urban Development; CFDA Number 14.228; Award Numbers MSC-204001-EDIG and MSC-2009-0780-HOA.

Criteria. Prior to the submission to the U.S. Department of Housing and Urban Development (HUD) for its annual grant, the grantee must certify to HUD that it has met the citizen participation requirements. In addition, CDBG funds cannot be obligated or expended before receipt of HUD's approval of a Request for Release of Funds (RROF) and environmental certification.

Condition. The County was unable to provide documentation that it had met the citizen participation requirements or documentation that it had received HUD's approval of a RROF prior to the funds being obligated or expended.

Cause. This condition appears to have been caused by an incomplete understanding of the requirements to maintain documentation to be able to show that the citizen participation requirements have been met and that approval from HUD of a RROF had been received.

Effect. As a result of this condition, the County did not fully comply with the special tests and provisions as they relate to citizen participation and receipt of HUD's approval of a RROF.

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

Recommendation. The County should maintain documentation that it has met the citizen participation requirements and documentation that receipt of HUD's approval of a Request for Release of Funds was received prior to obligating or expending CDBG funds.

View of Responsible Officials. Management agrees and will modify its processes to include the above-recommended procedures.

COUNTY OF MONROE, MICHIGAN

■ Summary Schedule of Prior Year Federal Audit Findings

For the Year Ended December 31, 2011

Finding 2010-2 - Suspended and Debarred Parties - CFDA # 17.258 & 17.260 -WIA Adult Program & Dislocated Workers/CFDA # 81.128 -Energy Efficiency and Conservation Block Grant Program/CFDA # 93.069 - Public Health Emergency Preparedness

We noted several instances in which the County did not retain documentation that they had verified that all vendors were not suspended or debarred. This finding has been corrected.

■ ■ ■ ■ ■