

County of Monroe,  
Michigan



Year Ended  
December 31,  
2014

Single Audit Act  
Compliance

# COUNTY OF MONROE, MICHIGAN

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INDEPENDENT AUDITORS' REPORT ON  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY OMB CIRCULAR A-133

June 25, 2015

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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 25, 2015, 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 OMB Circular A-133 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.



COUNTY OF MONROE, MICHIGAN

**Schedule of Expenditures of Federal Awards**  
For the Year Ended December 31, 2014

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>				
Child Nutrition Cluster:				
School Breakfast Program	10.553	MDE	58-000-8001	\$ 10,871
National School Lunch Program	10.555	MDE	58-000-8001	16,881
National School Lunch Program - Snack	10.555	MDE	58-000-8001	3,068
				<u>30,820</u>
Women, Infants and Children:				
2013/2014	10.557	MDCH	20130425	313,024
2014/2015	10.557	MDCH	20141476	144,292
				<u>457,316</u>
State Admin Matching Grants for Food Stamp Program:				
Jan to Sept 14	10.561	MSF/SMCA	09-02-0004	79,219
Oct to Dec 14	10.561	MSF/SMCA	09-02-0004	24,529
				<u>103,748</u>
Conservation Reserve Program	10.069	FSA	0286	<u>4,908</u>
<b>Total U.S. Department of Agriculture</b>				<u>596,792</u>
<b>U.S. Department of Housing and Urban Development</b>				
Community Development Block Grant/ MCOP	14.228	MSHDA	MSC-2011-0780-HOA	236,393
Community Development Block Grant/ La-Z-Boy	14.228	MSHDA	MSC-212002-EDIG	299,111
<b>Total U.S. Housing &amp; Urban Development</b>				<u>535,504</u>
<b>U.S. Department of Justice</b>				
State Criminal Alien Assistance Program				
	16.606	Direct	2012-AP-BX-0684	<u>447</u>
Operation Safe Monroe County				
	16.738	Direct	2011-DJ-BX-3044	1,134
	16.738	Direct	2012-DJ-BX-0212	14,855
	16.738	Direct	2014-DJ-BX-0878	942
				<u>16,931</u>
<b>Total U.S. Department of Justice</b>				<u>17,378</u>
<b>U.S. Department of Labor</b>				
Employment Service:				
2013/2014	17.207	MSF/SMCA	10-02-0004	139,730
2014/2015	17.207	MSF/SMCA	10-02-0004	78,415
				<u>218,145</u>
Employment Service TAA/NAFTA:				
2013/2014	17.207	MSF/SMCA	09-02-0004	9,135
2014/2015	17.207	MSF/SMCA	09-02-0004	4,869
				<u>14,004</u>
Trade Case Management				
2014/2015	17.245	MSF/SMCA	13-02-0004	<u>5,845</u>
WIA Cluster:				
WIA Adult Program:				
2013/2014	17.258	MSF/SMCA	10-02-0004	103,557
2014/2015	17.258	MSF/SMCA	10-02-0004	94,148

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COUNTY OF MONROE, MICHIGAN

Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2014

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:				
2012/2013	17.278	MSF/SMCA	10-02-004	\$ 168,081
2013/2014	17.278	MSF/SMCA	10-02-004	146,362
Total WIA Cluster				<u>512,148</u>
Total U.S Department of Labor				<u>750,142</u>
U.S. Department of Transportation				
Safe Communities Grant	20.600	MOHSP	PT-24-22	<u>77,930</u>
U.S. Environmental Protection Agency				
Beach Monitoring	66.472	MDEQ	N/A	<u>5,234</u>
U.S. Department of Health and Human Services				
Child Support Enforcement:				
Title IV Incentive Payments	93.563	MDHS	N/A	<u>255,627</u>
Friend of the Court/Prosecutor Combined:				
2012/2013	93.563	MDHS	CSCOM 10-58003	1,017,906
2013/2014	93.563	MDHS	CSCOM 10-58003	303,873
				<u>1,321,779</u>
Foster Care Title IV E	93.658	MDHS	PROFC-12-58001	<u>20,812</u>
Temporary Assistance for Needy Families -				
JET Program:				
Jan to Sept 14	93.558	MSF/SMCA	09-02-0004	371,688
Oct to Dec 14	93.558	MSF/SMCA	09-02-0004	125,810
				<u>497,498</u>
FIA				
Jan to Sept 14	93.558	MSF/SMCA		<u>6,595</u>
Medical Reserve Corp Small Grant Program	93.008	NACCHO	MRC	3,500
Medical Reserve Corp Small Grant Program	93.008	R2	N/A	5,000
				<u>8,500</u>
Cooperative Agreements for Tuberculosis Control Programs:				
2013/2014	93.116	MDCH	20130425	76
2014/2015	93.116	MDCH	20141476	24
				<u>100</u>
FDA Tobacco Retailer -				
2013/2014	93.058	MDCH	20130425	<u>1,154</u>
Center for Disease Control & Prevention -				
Investigations and Technical Assistance:				
2013/2014	93.069	MDCH	20130425	103,369
2014/2015	93.069	MDCH	20141476	26,380
				<u>129,749</u>
Family Planning Services:				
2013/2014	93.217	MDCH	20130425	10,242
2014/2015	93.217	MDCH	20141476	32,303
				<u>42,545</u>

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COUNTY OF MONROE, MICHIGAN

**Schedule of Expenditures of Federal Awards**  
For the Year Ended December 31, 2014

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (continued)				
Immunization Cluster:				
Federally Supplied Vaccines	93.268	MDCH	N/A	\$ 116,284
VFC, AFIX and Nurse Training:				
2013/2014	93.268	MDCH	20130425	3,500
2014/2015	93.268	MDCH	20141476	3,400
Immunization Assessment:				
2013/2014	93.268	MDCH	20130425	49,931
2014/2015	93.268	MDCH	20141476	16,832
Total Immunization Cluster				<u>189,947</u>
ARRA - Navigator:				
2013/2014	93.729	MDCH	20130425	15,000
2014/2015	93.729	MDCH	20141476	2,045
				<u>17,045</u>
ARRA - Medicaid Incentive -				
2013/2104	93.729	MDCH	20130425	<u>17,000</u>
CSHCS Staffing Grant:				
2013/2014	93.778	MDCH	20130425	3,470
2014/2015	93.778	MDCH	20141476	875
				<u>4,345</u>
Case Management:				
2013/2014	93.778	MDCH	20130425	26,280
2014/2015	93.778	MDCH	20141476	10,716
				<u>36,996</u>
Medicaid Outreach:				
2013/2014	93.778	MDCH	20130425	97,360
2014/2015	93.778	MDCH	20141476	29,103
				<u>126,463</u>
CSHCS Outreach -				
2013/2014	93.778	MDCH	20130425	<u>19,749</u>
Local Maternal and Child Health:				
2013/2014	93.994	MDCH	20130425	45,989
2014/2015	93.994	MDCH	20141476	22,359
				<u>68,348</u>
CSHCS Staffing Grant:				
2013/2014	93.994	MDCH	20130425	2,030
2014/2015	93.994	MDCH	20130425	875
				<u>2,905</u>
Total U.S. Department of Health and Human Services				<u>2,767,157</u>
U.S. Department of Homeland Security				
Boating Safety Financial Assistance	97.012	MDNR	N/A	<u>15,100</u>
Performance	97.042	MDHS	N/A	<u>31,592</u>

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COUNTY OF MONROE, MICHIGAN

**Schedule of Expenditures of Federal Awards**  
For the Year Ended December 31, 2014

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Homeland Security (continued)				
State Domestic Preparedness Equipment Support Program:				
Homeland Security Grant Program - 2011 Operation Stonegarden	97.067	MSP	2011-SS-TO-00103	\$ 25,829
Homeland Security Grant Program - 2012 Operation Stonegarden	97.067	MSP	2012-SS-00055	86,926
Homeland Security Grant Program - 2013 Operation Stonegarden	97.067	MSP	2013-SS-00049	1,800
2011 Homeland Security Grant UASI Region	97.067	MC,OC	10152012	333,295
2012 Homeland Security Grant UASI Region	97.067	MC	2012-SS-00055	173,313
2013 Homeland Security Grant UASI Region	97.067	MC	2013-SS-00055	60,249
Homeland Security Grant UASI SAP	97.067	MC	N/A	181,355
				<u>862,767</u>
Total U.S. Department of Homeland Security				<u>909,459</u>
Total Expenditures of Federal Awards				<u>\$ 5,659,596</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, 2014. 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 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, Monroe County Community Mental Health Authority 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, 2014, 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 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.

### 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
MDCH	Michigan Department of Community Health
MDE	Michigan Department of Education
MDEQ	Michigan Department of Environmental Quality
MDHS	Michigan Department of Human Services
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
OC	Oakland County
R2	Region 2 Area Agency on Aging
SMCA	Southeast Michigan Community Alliance

concluded.

### 4. SUBRECIPIENTS

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

Program Title	CFDA Number	Amount Provided
Homeland Security	97.067	\$ <u>41,886</u>



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 25, 2015

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* (the "County"), as of and for the year ended December 31, 2014, 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 25, 2015. 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, Monroe County Employees' Retirement System and Monroe County Agency, 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 2014-001, 2014-002 and 2014-003 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 2014-004 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 "Lehmann Lobson 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 OMB CIRCULAR A-133

June 25, 2015

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* (the "County") 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 the County's major federal programs for the year ended December 31, 2014. 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 Agency which received \$1,418,074 in federal awards, and which are not included in the schedule of expenditures of federal awards for the year ended December 31, 2014. Our audit, described below, did not include the operations of the Monroe County Agency because it arranged for a separate audit in accordance with A-133.

The County's basic financial statements also include the operations of the Monroe County Road Commission and 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, 2014. Our audit, described below, did not include the operations of the Monroe County Road Commission and Monroe County Community Mental Health Authority because they arranged for separate financial statement audits and did not meet the criteria for a single audit in accordance with A-133, as expenditures of directly administered federal awards did not exceed \$500,000.

*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 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 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, 2014.

### *Other Matters*

The results of our auditing procedures disclosed instances of noncompliance, 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 2014-005 through 2014-008. 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 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 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 2014-005 through 2014-008, 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 OMB Circular A-133. 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, 2014

### 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?  X  yes   none reported

Noncompliance material to financial statements noted?   yes  X  no

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified?   yes  X  no

Significant deficiency(ies) identified?  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 Circular A-133, Section 510(a)?  X  yes   no

Identification of major programs:

#### CFDA Number

17.258 and 17.278  
10.557

97.067  
93.558  
14.228

#### Name of Federal Program or Cluster

Workforce Investment Act Cluster  
Special Supplemental Food Program for Women, Infants and Children (WIC)  
Homeland Security Grant Program  
Temporary Assistance for Needy Families (TANF)  
Community Development Block Grants/State's program and Non-Entitlement Grants in Hawaii

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, 2014

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2014-001 - 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 payable and expenses were both understated by approximately \$75,000 in the general fund.
- Cash and liabilities were both overstated by approximately \$120,000 in the general agency fund.
- Payment to escrow agent was understated and interest expense was overstated by approximately \$5,997,000
- Cash and liabilities were both overstated by approximately \$1,081,000 in the imprest payroll 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, 2014

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2014-002 - Bond, Restitution and Inmate Payables

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

**Criteria.** The County uses an agency fund to account for Court funds held on behalf of outside parties. Accordingly, the County is required to keep accurate subsidiary records of the amounts held in these liability accounts. These accounts should be analyzed and reconciled on a regular basis (e.g. monthly or quarterly).

**Condition.** We requested detail for the bonds and restitution payable accounts in the County's agency fund. The County was able to provide current year reconciliations to the general ledger for the changes in these accounts, however, they were unable to provide a detail of what comprises the ending balance. Additionally, the County's adjusted general ledger balance for the Inmate Trust account does not agree to the year-end bank statement. The County was unable to provide a reconciliation of the liability to the cash on hand.

**Cause.** The County does not have a policy to reconcile a complete subsidiary detail to the general ledger for the bonds and restitution accounts. The Inmate Trust account has several "Smart Cards" outstanding, but there is not a detail kept of these amounts to reconcile the total.

**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. Balances in agency funds are particularly sensitive as this fund type, by its nature, is not subject to the normal budgetary oversight found in other funds. Accordingly, it is especially important that these funds be reconciled regularly to a complete detail. While the related cash balances were reconciled for the bond and restitution accounts, this only verifies the amounts actually on hand, not the balances that should be on hand. The Inmate Trust account was not reconciled to the general ledger.

**Recommendation.** We recommend the County implement procedures to ensure that a detail is maintained to support the balances being reported and that all accounts are reconciled to the general ledger.

**View of Responsible Officials.** Management will coordinate with the State to obtain a detail of all amounts owed and with jail staff to ensure reconciliation of the Inmate Trust account.

# COUNTY OF MONROE, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2014

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2014-003 - Drain Commission Accounting Records

**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.** We requested 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 County does not have a policy to reconcile a complete subsidiary detail to the general ledger for the Drain Commission accounts. Additionally, it appears that the 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, 2014

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2014-004 - County Agency Component Unit Financial Statements

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

**Criteria.** The County has several component units, that along with the primary government, collectively comprise the reporting entity. As the auditors for the County (the "group auditor"), we are required to complete certain procedures to evaluate the competence and ethics of the component auditors, as well as the appropriateness of materiality thresholds and the risk of material misstatement in the audits performed by the component auditors. Furthermore, management of the County ("group management") is responsible for reviewing and approving the content of any component unit financial information contained in the County's financial statements, as required by generally accepted accounting principles (GAAP).

**Condition.** We reviewed the County Agency financial statements for the year ended December 31, 2014, and noted certain deficiencies, including 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.

**Cause.** The County has historically relied on the audited financial statements of its component units without performing its own oversight and review of that information. Essentially, group management has not taken an active role in understanding and challenging the information reported by its component units.

**Effect.** Inasmuch as the financial statements of the County present only the reporting-entity totals for the County Agency, and not the detailed funds, the risk of material misstatement is somewhat reduced. However, this only mitigates that risk, and does not eliminate it.

**Recommendation.** We recommend the County and County Agency management confer on this issue and establish a plan of action to remediate the situation for 2015 financial statements.

**View of Responsible Officials.** The Drain Commissioner will contract with a more qualified auditor in order to ensure reporting compliance.

# COUNTY OF MONROE, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2014

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

2014-005 - Cash Management

**Finding Type.** Immaterial Noncompliance; Significant deficiency in internal controls over compliance.

**Program.** Homeland Security Grant (CFDA# 97.067); U.S. Department of Homeland Security; All project numbers.

**Criteria.** OMB Circular A-133 indicates that when grants are reimbursement based, costs for which reimbursement was requested should be paid prior to the date of the reimbursement request.

**Condition.** Three expenses out of 51 tested were requested for reimbursement before they were paid.

**Cause.** This condition appears to be the result of the County not interpreting the guidance correctly for reimbursement based grants.

**Effect.** As a result of this condition, the County requested approximately \$67,000 six months in advance of the funds being spent.

**Questioned Costs.** None, inasmuch as the expenditures were incurred but not paid. Amounts were paid after reimbursement.

**Recommendation.** The County should implement procedures to ensure that reimbursement requests are made for costs that have already been incurred and paid.

**View of Responsible Officials.** An additional procedure has been implemented to ensure that reimbursement requests are made only for costs which have been incurred and paid.

# COUNTY OF MONROE, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2014

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

#### 2014-006 - Subrecipient Monitoring

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

**Program.** Homeland Security Grant (CFDA# 97.067); U.S. Department of Homeland Security; Project number 10152012.

**Criteria.** Per OMB Circular A-133, the County should be monitoring the subrecipient's use of federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers federal awards in compliance with laws, regulation, and the provisions of contracts or grant agreements and that performance goals are achieved.

**Condition.** 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.

**Cause.** The staff assigned to perform this procedure were not aware of the compliance requirements or the level of contact and documentation that is needed.

**Effect.** As a result of this condition, the County did not properly monitor its subrecipients or maintain documentation of the informal meetings that were held.

**Recommendation.** We recommend that the County implement procedures to monitor its subrecipients in accordance with OMB Circular A-133.

**View of Responsible Officials.** The County has implemented procedures to monitor its subrecipients in accordance with OMB Circular A-133.

# COUNTY OF MONROE, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2014

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

2014-007 - Procurement; Suspension & Debarment - Verification

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

Program. Special Supplemental Food Program for Women, Infants and Children (CFDA# 10.557); U.S. Department of Health and Human Services; Michigan Department of Community Health; All project numbers.

Criteria. Non-Federal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. "Covered transactions" include those procurement contracts for goods and services awarded under a nonprocurement transaction (e.g., grant or cooperative agreement) that are expected to equal or exceed \$25,000.

Condition. 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 work was performed.

Cause. The staff assigned to perform this procedure were not aware that documentation was required to be maintained.

Effect. As a result of this condition, one contract was executed without proper verification that the vendor was not suspended or debarred.

Recommendation. We recommend that the County implement procedures to monitor its subrecipients in accordance with OMB Circular A-133.

View of Responsible Officials. A procedure has been implemented which specifies the need to maintain this documentation.

# COUNTY OF MONROE, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2014

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

#### 2014-008 - Homeland Security Reimbursement Requests

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

Program: Homeland Security Grants; U.S. Department of Homeland Security; Michigan State Police; Macomb County; CFDA number 97.067.

Criteria. Management is responsible for submitting reimbursement requests in a timely manner and reconciling the draw requests and receipts to the general ledger.

Condition. During our audit, 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.

Cause. This condition was caused by program management not fully understanding the requirement of submitting reimbursement requests in a timely manner and ensuring that amounts are properly recorded as receivables in the ledger and on the correct Schedule.

Effect. We noted 11 out of 49 draws where the costs had been incurred in the prior year, but not requested until several months after the end of the prior fiscal year. Additionally, we were unable to reconcile draw requests to the expenditures recorded on the Schedule.

Recommendation. We recommend the County implement procedures to ensure that reimbursement requests are submitted in a timely manner and that detail of draw requests be maintained that reconciles to the Schedule and the County's general ledger.

View of Responsible Officials. Management has implemented a process to verify that requests are submitted timely and that revenues and expenses are recorded in the proper accounts.



## COUNTY OF MONROE, MICHIGAN

### Summary Schedule of Prior Year Federal Audit Findings

For the Year Ended December 31, 2014

#### Finding 2013-FS-1 - 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 2014-001.

#### Finding 2013-FS-2 - 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. Corrective action was not sufficient. This finding has been repeated as item 2014-002.

#### Finding 2013-SA-1 - Homeland Security Reimbursement Requests

A proper audit trail was not maintained to support the amounts of various reimbursement requests. In addition, cash receipts related to these reimbursement requests were not being reconciled to the actual amounts requested. This finding has been repeated as item 2014-008.

#### Finding 2013-SA-2 - 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 work was performed. The finding has been repeated as item 2014-007.

