

Genesee County, Michigan

**Federal Awards
Supplemental Information
September 30, 2013**

Genesee County, Michigan

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Report on Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133

Independent Auditor's Report

To the Board of Commissioners
Genesee County, Michigan

We have audited the basic 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 Genesee County, Michigan (the "County") as of and for the year ended September 30, 2013 and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 18, 2014, which contained an unmodified opinion on the basic financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited basic financial statements subsequent to March 18, 2014. We did not audit the financial statements of Genesee County Community Mental Health Services, a major governmental fund of the County, which represents 37.6 and 15.1 percent of the assets and revenue, respectively, of the governmental funds. We also did not audit the financial statements of Genesee County Planning Commission, a nonmajor governmental fund of the County, which represents less than 1 percent of both the assets and revenue of the governmental funds. We also did not audit the financial statements of Genesee County Road Commission, a discretely presented component unit of the County, which represents 30.5 and 19.6 percent of the assets and revenue, respectively, of the component units. We also did not audit the financial statements of the Economic Development Corporation, a discretely presented component unit of the County, which represents less than 1 percent of both the assets and revenue of the component units. We also did not audit the financial statements of the Genesee Health Systems Authority, a discretely presented component unit of the County, which represents 9.6 and 62.5 percent of the assets and revenue, respectively, of the component units. Those financial statements were audited by other auditors, whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Genesee County Community Mental Health Services, Genesee County Planning Commission, Genesee County Road Commission, the Economic Development Corporation, and Genesee Health Systems Authority, is based on the report of the other auditors.

To the Board of Commissioners
Genesee County, Michigan

The accompanying schedule of expenditures of federal awards and reconciliation of basic financial statements federal revenue with schedule of expenditures of federal awards are presented for the purpose 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 are 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 information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Plante & Moreau, PLLC

Flint, Michigan
June 17, 2014

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*

Independent Auditor's Report

To Management and the Board of Commissioners
Genesee County, Michigan

We have audited, 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, the basic 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 Genesee County, Michigan (the "County") as of and for the year ended September 30, 2013, and related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 18, 2014. Our report includes a reference to other auditors who audited the financial statements of Genesee County Community Mental Health Services, Genesee County Planning Commission, Genesee County Road Commission, the Economic Development Corporation of the County of Genesee, and Genesee Health Systems Authority, as described in our report on Genesee County, Michigan's basic 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. The financial statements of the Economic Development Corporation and the Genesee County Storm Water Management System were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered Genesee County, Michigan'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 basic 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.

To Management and the Board of Commissioners
Genesee County, Michigan

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 Findings 2013-001 through 2013-003 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 Finding 2013-004 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Genesee County, Michigan's basic 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*.

Genesee County, Michigan's Responses to Findings

Genesee County, Michigan's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Genesee County, Michigan's responses were not subjected to the auditing procedures applied in the audit of the basic 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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

Flint, Michigan
March 18, 2014

Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance
Independent Auditor's Report

To the Board of Commissioners
Genesee County, Michigan

Report on Compliance for Each Major Federal Program

We have audited Genesee County, Michigan's (the "County") compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2013. Genesee County, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Genesee County, Michigan's basic financial statements include the operations of the component units of Genesee County Road Commission, Genesee County Land Bank, Genesee Health System, and the Departments of Community Mental Health and Genesee County Planning Commission, which received \$7,672,486, \$3,664,539, \$83,123,098, \$1,231,478, and \$949,578, respectively, in federal awards which are not included in the schedule during the year ended September 30, 2013. Our audit, described below, did not include the operations of the component units of Genesee County Road Commission, Genesee County Land Bank, Genesee Health System, and the Departments of Community Mental Health and Genesee County Planning Commission because the component units and departments engaged other auditors to perform an audit in accordance with OMB Circular A-133.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Genesee County, Michigan's major federal programs based on our audit of the types of compliance requirements referred to above.

To the Board of Commissioners
Genesee County, Michigan

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 Genesee County, Michigan'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 Genesee County, Michigan's compliance.

Opinion on Each Major Federal Program

In our opinion, Genesee County, Michigan 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 September 30, 2013.

Report on Internal Control Over Compliance

Management of Genesee County, Michigan 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 Genesee County, Michigan'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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

To the Board of Commissioners
Genesee County, Michigan

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 a combination of deficiencies, in internal control over compliance, such that there is 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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2013-005 and 2013-007 to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2013-006 to be a significant deficiency.

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

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.

Plante & Moran, PLLC

Flint, Michigan
June 17, 2014

Genesee County, Michigan

Schedule of Expenditures of Federal Awards Year Ended September 30, 2013

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/ Grant Number	Federal Expenditures (Adjustments)
Department of Agriculture:			
Child Nutrition Cluster			
Passed through the Michigan Department of Agriculture:			
National School Lunch Program	10.555	N/A	\$ 87,498
Passed through the Michigan Department of Education:			
Summer Food Service Program for Children	10.559	25SF010000	<u>173,336</u>
Total Child Nutrition Cluster			260,834
SNAP Cluster			
Passed through the Michigan Strategic Fund, WDA:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY-13 2MI420132	349,452
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY-13 2MI400100	<u>10,287</u>
			359,739
Food Distribution Cluster			
Passed through the Michigan Department of Education:			
Commodity Supplemental Food Program (Admin)	10.565	25000-1010	320,122
Emergency Food Assistance Program (Administrative Costs)	10.568	25000-1010-C	97,926
Emergency Food Assistance Program (Food Commodities)	10.569	25000-1010-C	<u>533,175</u>
Total Food Distribution Cluster			951,223
Direct Program:			
Child and Adult Care Food Program	10.558	N/A	28,766
Passed through the Michigan Department of Community Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	IWI00342	16,138
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	W500342	41,774
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	IWI00342	1,687,599
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	IWI00342	<u>41,904</u>
			<u>1,787,415</u>
Total Department of Agriculture			3,387,977

Genesee County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2013

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/ Grant Number	Federal Expenditures (Adjustments)
Department of Housing and Urban Development:			
CDBG Entitlement Grants Cluster:			
Direct Programs:			
Community Development Block Grants/Entitlement Grants	14.218	B-08-UC-26-0001	\$ 882,324
Community Development Block Grants/Entitlement Grants	14.218	B-10-UC-26-0001	210,163
Community Development Block Grants/Entitlement Grants	14.218	B-11-UC-26-0001	506,268
Community Development Block Grants/Entitlement Grants	14.218	B-12-UN-26-0001	1,237,926
Community Development Block Grants/Entitlement Grants	14.218	B-11-UN-26-0001	874,694
Community Development Block Grants/Entitlement Grants	14.218	B-13-UN-26-0001	16,661
Total CDBG Entitlement Grants Cluster			3,728,036
Direct Programs:			
Shelter Plus Care	14.238	MI0154C5F050802	119,233
Home Investment Partnerships Program	14.239	M-10-UC-26-0205	69,006
Home Investment Partnerships Program	14.239	M-11-UC-26-0205	220,597
Home Investment Partnerships Program	14.239	M-11-UC-26-0206	270,603
Home Investment Partnerships Program	14.239	M-11-UC-26-0207	74,140
			634,346
Emergency Solutions Grant Program	14.231	N/A	20,037
Passed through Metro Housing Partnership:			
Supportive Housing Program	14.235	N/A	20,931
Supportive Housing Program	14.235	MI28B305002R	6,134
Supportive Housing Program	14.235	MI28B305004R	5,141
Supportive Housing Program	14.235	N/A	23,946
Supportive Housing Program	14.235	N/A	3,214
Supportive Housing Program	14.235	MI0148B5F050801	52,517
Supportive Housing Program	14.235	N/A	69,311
			181,194
Lead Based Paint Hazard Control in Privately-Owned Housing	14.900	MILHB0449-09	282,896
Total Department of Housing and Urban Development			4,965,742

Genesee County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2013

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/ Grant Number	Federal Expenditures (Adjustments)
Department of Labor:			
Employment Services Cluster:			
Passed through the Michigan Strategic Fund, WDA:			
Employment Service/Wagner-Peyser Funded Activities	17.207	AY-13	\$ 78,949
Employment Service/Wagner-Peyser Funded Activities	17.207	AY-12	774,570
Total Employment Services Cluster			853,519
WIA Cluster:			
Passed through the Michigan Strategic Fund:			
WIA Adult Program	17.258	AY-11	296,816
WIA Adult Program	17.258	AY-13	1,301
WIA Adult Program	17.258	AY-12	66,622
WIA Adult Program	17.258	AY-11	47,008
WIA Adult Program	17.258	AY-11	25,117
WIA Adult Program	17.258	AY-10	81,759
ARRA - WIA Adult Program	17.258	AY-12	403,454
WIA Adult Program	17.258	AY-13	26,302
WIA Adult Program	17.258	AY-10	15,861
WIA Adult Program	17.258	AY-12	1,485,963
WIA Adult Program	17.258	AY-12	3,604
			2,453,807
WIA Dislocated Worker Formula Grants	17.278	AY-11	226,056
WIA Dislocated Worker Formula Grants	17.278	AY-10	608,352
WIA Dislocated Worker Formula Grants	17.278	AY012	964,255
			1,798,663
Passed through Genesee Shiawassee Michigan Works:			
WIA Youth Activities	17.259	AY-06	61,481
WIA Youth Activities	17.259	AY-06	13,405
Passed through the Michigan Strategic Fund, WDA:			
WIA Youth Activities	17.259	AY-13	424,435
WIA Youth Activities	17.259	AY-12	1,203,287
			1,702,608
Total WIA Cluster			5,955,078
Passed through the Michigan Strategic Fund:			
WIA National Emergency Grants	17.277	AY-13	10
Passed through the Michigan Strategic Fund:			
Trade Adjustment Assistance	17.245	AY-13	99,714
Trade Adjustment Assistance	17.245	AY-13	1,039,899
Trade Adjustment Assistance	17.245	AY-13	42,245
Trade Adjustment Assistance	17.245	AY-13	189,258
			1,371,116
Passed through the Michigan Strategic Fund:			
ARRA - Program of Competitive Grants for Worker Training			
and Placement in High Growth and Emerging Industry Sectors	17.275	AY-08/GJ199001060A26	480,592
Unemployment Insurance	17.225	AY-12	307,606
Total Department of Labor			8,967,921

See Notes to Schedule of Expenditures
of Federal Awards.

Genesee County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2013

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/ Grant Number	Federal Expenditures (Adjustments)
Department of Health and Human Services:			
TANF Cluster:			
Passed through the Michigan Strategic Fund, WDA:			
Temporary Assistance for Needy Families	93.558	FY-13/G-1302MITANF	\$ 6,279,033
Passed through Genesee Shiawassee Michigan Works:			
Temporary Assistance for Needy Families	93.558	019-W-05	464,095
Temporary Assistance for Needy Families	93.558	N/A	97,357
Total TANF Cluster			6,840,485
Aging Cluster:			
Passed through the Michigan Department of Family Independence Agency:			
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	N/A	899,213
Nutrition Services Incentive Program	93.053	N/A	482,153
Total Aging Cluster			1,381,366
Medicaid Cluster:			
Passed through the Michigan Department of Community Health			
Medical Assistance Program	93.778	05U05M15ADM	113,000
Medical Assistance Program	93.778	05U05M15ADM	45,402
Medical Assistance Program	93.778	05U05M15ADM	122,615
Medical Assistance Program	93.778	05U05M15ADM	49,311
Total Medicaid Cluster			330,328
Passed through the Michigan Strategic Fund, WDA:			
Community Services Block Grant	93.569	CSBG-10-25012	1,101,063
Community Services Block Grant	93.569	CSBG-T-06-25012	20,000
Community Services Block Grant	93.569	CSBG-M-0825012	1,687
Community Services Block Grant	93.569	CSBG-D-1225012	20,000
			1,142,750
Passed through the Michigan Departments of Community Health:			
Immunization Cooperative Agreements	93.268	H23 CCH522556	187,085
Immunization Cooperative Agreements	93.268		689,882
Immunization Cooperative Agreements	93.268	H23 CCH522556	15,600
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance and Performance-financed in part by the Prevention and Public Health Fund (PPHF-2012)	93.733	IH23IP0071101	50,000
			942,567
Direct Programs:			
Head Start	93.600	N/A	3,582
Head Start	93.600	N/A	106,347
Head Start	93.600	N/A	2,744
Head Start	93.600	N/A	141,384
Head Start	93.600	N/A	2,565,864
Head Start	93.600	N/A	672,033
Head Start	93.600	N/A	1,650,517
Head Start	93.600	N/A	11,734,093
			16,876,564

Genesee County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2013

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/ Grant Number	Federal Expenditures (Adjustments)
Department of Health and Human Services (Continued):			
Direct programs:			
Healthy Start Initiative	93.926	H49MC00148-11-00	\$ 86,939
Healthy Start Initiative	93.926	H49MC00148-10-00	527,115
			614,054
Tobacco Regulation Awareness, Communication, and Education Program	93.058	HHSF22320110085C	18,172
			632,226
Passed through the Michigan Departments of Community Health, Mental Health, Family Independence Agency, and State Court Administrative Office:			
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	U52 CCU500499	13,354
Public Health Emergency Preparedness	93.069	U90TP000528	146,641
Public Health Emergency Preparedness	93.069	U90TP000528	41,988
			188,629
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	5U58DP000940-02	6,862
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	N/A	160,206
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	U58DP001439	18,350
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	1U58DP001439	1,473
			186,891
Family Planning Services	93.217	GFHPHA05017341	255,760
Affordable Care Act Maternal, Infant, and Early Childhood Michigan Home Visiting Program	93.505	D89MC23151	43,544
Affordable Care Act Maternal, Infant, and Early Childhood Michigan Home Visiting Program	93.505	D89MC23151	130,000
Affordable Care Act Maternal, Infant, and Early Childhood Michigan Home Visiting Program	93.505	N/A	91,543
ARRA- Affordable Care Act Maternal, Infant, and Early Childhood Michigan Home Visiting Program	93.505	05SE0808/01	200,000
			465,087
Child Support Enforcement	93.563	CS/PA-09-25002	1,245,144
Child Support Enforcement	93.563	CS/FOC-10-25001	4,876,326
Child Support Enforcement	93.563	CS/FOC-10-25001	773,889
			6,895,359
Low-Income Home Energy Assistance	93.568	N/A	33,484
Low-Income Home Energy Assistance	93.568	LIHEAP-08-25012	387,714
			421,198
Foster Care Title IV-E	93.658	PROFC-00-25001	140,669
Cooperative agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	IU58BP003921	2,200
Cooperative agreements for State-Based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.919	IU58BP003921	56,242
			58,442
Maternal and Child Health Services Block Grant to the States	93.994	BIMIMCHS	312,297
Maternal and Child Health Services Block Grant to the States	93.994	BIMIMCHS	3,240
Maternal and Child Health Services Block Grant to the States	93.994	BIMIMCHS	5,897
			321,434
HIV Prevention Activities-Health Department Based	93.940	U62PS003671	52,624
HIV Demonstration, Research, Public and Professional Education Projects	93.941	N/A	250
Passed through Michigan Strategic Fund, WDA:			
Chafee Foster Care Independence Program	93.674	FY-13	42,933
Total Department of Health and Human Services			37,188,916

Genesee County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2013

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/ Grant Number	Federal Expenditures (Adjustments)
Department of Transportation:			
Highway Planning and Construction Cluster:			
Passed through the Michigan Department of Transportation:			
Highway Planning and Construction	20.205	117655	\$ 409,535
Highway Planning and Construction	20.205	CMG-1125(037)	70,664
Highway Planning and Construction	20.205	117572	<u>66,506</u>
Total Department of Transportation			546,705
Department of Homeland Security:			
Passed through the Michigan Department of Education:			
ARRA - Emergency Food and Shelter National Board Program	97.114	N/A	18,108
ARRA - Emergency Food and Shelter National Board Program	97.114	N/A	<u>193,262</u>
			211,370
Passed through Michigan State Police:			
Emergency Management Performance Grant	97.042	FY2010	5,517
Emergency Management Performance Grant	97.042	FY2011	9,275
Emergency Management Performance Grant	97.042	FY2012	<u>9,149</u>
			23,941
Passed through Bay County:			
Homeland Security Grant Program	97.067	FY2007	14,392
Homeland Security Grant Program	97.067	FY2009	358,762
Homeland Security Grant Program	97.067	FY2010	<u>687,112</u>
			1,060,266
Total Department of Homeland Security			1,295,577
Department of Justice:			
Justice Assistance Grant Program Cluster:			
Direct Programs:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	313,149
Edward Byrne Memorial Justice Assistance Grant Program	16.738	FYE 2012	34,285
Edward Byrne Memorial Justice Assistance Grant Program	16.738	FYE 2013	<u>24,213</u>
			371,647
Passed through Flint Township:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	FYE 2010	6,652
Edward Byrne Memorial Justice Assistance Grant Program	16.738	FYE 2011	<u>58</u>
			6,710
Passed through the State of Michigan-MSP:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	72432-1-13-B	175,974
Passed through the State of Michigan:			
Recovery Act-Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to States and Territories	16.803	N/A	<u>84,613</u>
Total Justice Assistance Grant Cluster			638,944
Passed through the Michigan Department of Community Health:			
Crime Victim Assistance	16.575	20545-6V01	77,187
Juvenile Accountability Block Grant	16.523	JAIBG-12-25001	22,086
Juvenile Accountability Block Grant	16.523	JAIBG-12-25001	<u>34,811</u>
			56,897
			134,084
Passed through the State of MI:			
Juvenile Justice and Delinquency Prevention-Allocation to States	16.540	JDMHC-12-25001	35,925
Passed through the Office of Community Oriented Policing Services:			
ARRA - Public Safety Partnership and Community Policing Grants	16.710	N/A	<u>872</u>
Total Department of Justice			809,825

Genesee County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2013

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/ Grant Number	Federal Expenditures (Adjustments)
Department of Energy:			
Passed through the Michigan Family Independence Agency:			
Weatherization Assistance for Low-Income Persons	81.042	DOE-09-25012	\$ 252,707
Direct program:			
ARRA - Energy Efficiency and Conservation Block Grant Program (EECBG)	81.128	DE-EE0000748	8,558
Total Department of Energy			261,265
Environmental Protection Agency:			
Passed through the Michigan Department of Natural Resources & Environment:			
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	CT975861	7,891
Passed through the Michigan Department of Labor & Economic Growth:			
Capitalization Grants for Drinking Water State Revolving Funds	66.468	CT975861	1,500
Total Environmental Protection Agency			9,391
Total Federal Financial Assistance			<u>\$ 57,433,319</u>

Genesee County, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended September 30, 2013

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 58,443,265
Less: Deferred revenue at September 30, 2012	(2,514,935)
Add: Deferred revenue at September 30, 2013	946,248
Less: Community Mental Health federal revenue	(1,231,478)
Add: Transfer from Career Alliance Funds	640,802
Less: Prior year audit adjustment	(6,438)
Add: Change in inventory	886,200
Add: Program income reported as other income on the financial statements	109,447
Add: Federal revenue on SEFA (RANC)	<u>160,208</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 57,433,319</u></u>

Genesee County, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2013

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Genesee County, Michigan under programs of the federal government for the year ended September 30, 2013. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Genesee County, Michigan, it is not intended to, and does not, present the financial position, changes in net position, or cash flows, if applicable, of Genesee County, Michigan. Pass-through entity identifying numbers are presented where available.

Note 2 - Subrecipient Awards

Of the federal expenditures presented in the schedule, federal awards were provided to subrecipients as follows:

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
WIA Cluster	17.258, 17.259	\$ 5,551,624
ARRA - WIA Cluster	17.258	403,454
Employment Services Cluster	17.207	853,519
Trade Adjustment Assistance	17.245	1,371,116
TANF Cluster	93.558	6,840,485
Head Start	93.600	10,119,273
	Total	<u>\$ 25,139,471</u>

Genesee County, Michigan

Schedule of Findings and Questioned Costs Year Ended September 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Noncompliance material to financial statements noted? ☐ Yes ☒ No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? ☒ Yes ☐ No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? ☒ Yes ☐ None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? ☒ Yes ☐ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.557	Special Supplemental Nutrition Program for WIC
93.563	Child Support Enforcement
93.600	Head Start
14.218	Community Development Block Grant Entitlement Cluster
17.258, 17.259, 17.278	ARRA - WIA Cluster
93.558	TANF Cluster

Dollar threshold used to distinguish between type A and type B programs: \$1,723,000

Auditee qualified as low-risk auditee? ☐ Yes ☒ No

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2013

Section II - Financial Statement Audit Findings

Reference

Number

Finding

2013-001

Finding Type - Material weakness

Criteria - Management should have a process in place to reconcile ending general ledger balances to supporting documentation and record all year-end closing entries in accordance with generally accepted accounting principles prior to the start of the audit.

Condition - Adjusting journal entries were proposed in order to prepare the County's financial statements in accordance with GAAP. These entries related to adjusting deferred revenue, net position, prepaids, accounts payable, and reversal of prior year's payroll accruals.

Context - All of these entries relate to adjustments that are made once a year during the year-end closing process. These adjustments do not affect the integrity of the day-to-day internal financial statements.

Cause - The County did not identify the above-described journal entries prior to the start of the audit.

Effect - Auditor proposed journal entries were recorded, except for the entries related to accounts payable, reversal of prior year's payroll accruals, and underfunding of the pension contribution identified above which were determined by management to be insignificant to the financial statements. The amounts were not material.

Recommendation - The County should implement procedures to ensure that all appropriate journal entries are made and independently reviewed prior to the start of the audit.

Views of Responsible Officials and Planned Corrective Actions - The County's intent is to present the auditors with the County's financial statements including all necessary adjustments prior to commencement of the annual audit. Accordingly, the County will make every effort to ensure that all appropriate year-end closing journal entries are reviewed and recorded prior to the start of the audit for the fiscal year ending September 30, 2014.

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2013

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2013-002	<p>Finding Type - Material weakness</p> <p>Criteria - Pension contributions should be remitted in accordance with actuarially determined rates.</p> <p>Condition - For nine months during the fiscal year, the County did not contribute at the updated actuarial determined rate for the pension system.</p> <p>Context - The pension contribution was underfunded by 12.9 percent of covered payroll for nine months out of the fiscal year.</p> <p>Cause - The required percentage contribution based on covered payroll was not updated in the payroll system as of January 1, 2013 to the contribution percentage provided in the new actuary valuation.</p> <p>Effect - The pension contribution was made at the percentage provided by the prior actuary valuation, resulting in the underfunding of the pension contribution in fiscal year 2013.</p> <p>Recommendation - The County should implement a procedure for review of the pension contribution percentages on a regular basis to ensure that the contributions are remitted at the correct amount as set forth by the actuarial valuation.</p> <p>Views of Responsible Officials and Planned Corrective Actions - There was a written communication in September 2012 from the retirement services administrator to the director of human resources of the change in the rate effective January 1, 2013. However, for some unknown reason, the payroll system was never changed to reflect the new rate. Going forward, several changes have been made. First, an accountant from the controller's office has assumed the duties of retirement services administrator. Second, managerial responsibility for all employee benefit plans, including the defined benefit pension plan, has been transferred from the director of human resources to the controller. The process has been changed such that upon receipt of the annual actuarial valuation, the controller will communicate the required rate change to the retirement services administrator, assistant controller, and the payroll analyst and all parties are on point to make sure the required change is made timely.</p>

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2013

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2013-003	<p>Finding Type - Material weakness</p> <p>Criteria - There should be a procedure in place to track changes to the payroll system to ensure accurate accounting data is recorded in the general ledger.</p> <p>Condition - The County's modifiable payroll system does not have the ability to track changes made to the system.</p> <p>Context - A modifiable systems report that shows all changes to the payroll system, from initiation to authorization, was not available during the audit.</p> <p>Cause - System limitations and availability of resources prevented this report from being run and reviewed to ensure all changes were authorized and appropriate.</p> <p>Effect - The lack of controls over who is able to make changes to the system will increase the risk and likelihood that unauthorized changes have been made to the system which could lead to misstatement of accounts and misappropriation of County assets.</p> <p>Recommendation - We suggest that a process be put in place over the payroll system to track changes and would identify unauthorized changes to the system.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Staffing constraints and the approval process for changes were streamlined when positions were eliminated due to budget restraints. At one time there was one systems analyst, and two programmers working on payroll. Currently, payroll staff is down to one analyst that is shared with two other departments, and a part-time retiree. Notwithstanding the system limitations and availability of resources as noted, the County will address this recommendation and attempt to implement a system to track payroll changes as recommended, pending conversion to a new time and attendance and payroll system during the current fiscal year ending September 2014.</p>

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2013

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2013-004	<p>Finding Type - Significant deficiency</p> <p>Criteria - Expenses incurred should be properly approved and authorized for payment.</p> <p>Condition - We noted during testing that some timesheets were not properly approved for hours worked by the employee.</p> <p>Context - It was noted during our audit that some timesheets lacked a signature by the employee's supervisor to document that they were properly approved. After payroll has been processed, supervisors/department heads review the payroll output reports for any errors. This control monitors that the payroll each pay period is consistent and reasonable but does not help to mitigate unapproved time from being entered into the system.</p> <p>Cause - Supervisors/department heads did not provide a signature to document approval for employee timesheets for some pay periods during the year.</p> <p>Effect - Unapproved payroll could be paid to employees. This could lead to a misstatement and misappropriation of funds.</p> <p>Recommendation - We recommend the County strengthen controls by having the department heads initial all timesheets to document approval of the hours worked before payroll is processed.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The County will reinforce the need for department heads to approve all timesheets before payroll is processed. Furthermore, the implementation of the new time and attendance system will serve to mitigate the risk of erroneous payments as well.</p>

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2013

Section III - Federal Program Audit Findings

Reference

Number

Finding

2013-005

Program Name - Child Support Enforcement 93.563

Pass-through Entity - Michigan Department of Community Mental Health

Finding Type - Material weakness

Criteria - Expenses included on the request for reimbursement should include all applicable expenses of the time period and not exceed the support for the allowable expense.

Condition - We noted during testing that several monthly reports did not include all applicable expenses of the time period and one reimbursement for expenses exceeded the allowable reimbursement amount. The extrapolated questioned costs were below \$10,000.

Questioned Costs - None

Context - It was noted during our audit that some reports were filed without including the full amount of reimbursable expenses. After the reports have been prepared, the program director reviews the reports but does not review them in detail. There was also one instance in which expenses that were requested for reimbursement exceeded the amount of reimbursable expenses per review of the supporting documentation.

Cause and Effect - Staffing constraints and the manual process contribute to the difficulty in preparing accurate reports. Without detailed review of the amounts reported for accuracy, the grant could be undercharged or overcharged.

Recommendation - We recommend that a detailed second review be performed of reimbursement requests to ensure that all allowable expenditures in both the general ledger and on supporting documentation have been included in the request for reimbursement to ensure accuracy.

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2013

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2013-005 (Continued)	<p>Views of Responsible Officials and Planned Corrective Actions - The County has procedures in place to verify expenditures by specific identification and by account number. The County will also ensure the accountant is following proper procedures to provide accurate reporting of expenditures.</p> <p>In addition, the program director will submit, on a monthly basis, a copy of the DHS 286 Report to the Controller's Office. The billings will be used to reconcile the amount requested for reimbursement to the amount recorded on the County's general ledger. If the accountant is unable to reconcile the totals, the accountant will contact the program director for additional assistance.</p>

Reference Number	Finding
2013-006	<p>Program Name - Child and Adult Care Food Program 10.558, Emergency Solutions Grant 14.231, Supportive Housing Program 14.235, Low-income Home Energy Assistance 93.568, Head Start 93.600</p> <p>Pass-through Entity - Metro Housing Partnership, State of Michigan Department of Human Services</p> <p>Finding Type - Significant deficiency</p> <p>Criteria - OMB Circular A-133 requires organizations to properly reflect federal expenditures in the schedule of expenditures of federal awards (SEFA)</p> <p>Condition - The SEFA required adjustments related to expenditures and other transactions that occurred at year end, resulting in revisions to correct the SEFA. The expenditures presented on the SEFA for Head Start (CFDA 93.600), Low Income Home Energy Assistance (CFDA 93.568), Supportive Housings (CFDA 14.235), Emergency Solutions Grant (CFDA 14.231), and Child and Adult Care Food (CFDA 10.558) were adjusted by \$122,372. The adjustment was made as a result of expenditures that were identified during year-end reconciliations that should not have been included on the SEFA.</p> <p>Questioned Costs - None</p> <p>Context - The adjustments made to the expenditures reported on the schedule of expenditures of federal awards did not affect the major program selection.</p>

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2013

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2013-006 (Continued)	<p>Cause and Effect - Internal control procedures relative to the identification of federal expenditures to be reported on the SEFA did not operate effectively. This resulted in the County's schedule of expenditures of federal awards provided to the auditors being inaccurate on a program and total expenditure basis.</p> <p>Recommendation - Internal control procedures should be initiated and enforced to ensure the proper expenditures are reported in the schedule of expenditures of federal awards.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The County reconciled the SEFA expenditures to the Comprehensive Annual Financial Report. The error occurred in the transfer of data to the SEFA report. The accountants will work together more closely to provide accurate reporting.</p>

Reference Number	Finding
2013-007	<p>Program Name - Child Support Enforcement 93.563</p> <p>Pass-through Entity - Michigan Department of Community Mental Health</p> <p>Finding Type - Material weakness</p> <p>Criteria - OMB Circular A-133 requires organizations to correctly report the amount of expenditures that they incur during the year.</p> <p>Condition - We noted during testing that the report being filed with the granting agency for reimbursement included indirect costs that did not agree to the approved indirect cost plan and were not appropriately reflected on the general ledger.</p> <p>Questioned Costs - None</p> <p>Context - During testing of the monthly Title IV-D expenditure reports, we identified that the reports included indirect costs that did not agree to the approved indirect cost plan or the general ledger detail. Reimbursement was being requested for expenses that were not appropriately reflected on the general ledger.</p>

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2013

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2013-007 (Continued)	<p>Cause and Effect - When recording indirect costs related to the program, there was not a second review of the journal entries to verify that the correct cost allocation was initially used to record the costs in the general ledger. Ultimately, the correct amount was requested from the granting agency, but the County's process surrounding reconciliation to the general ledger needs to be improved.</p> <p>Recommendation - We recommend that a second review of the journal entries that are recorded related to the cost allocation plan be recorded accurately and agree to what is being requested for reimbursement from the granting agency.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The County will perform an annual test of the indirect costs charged to the Title IV-D grant. This procedure will ensure that the approved cost allocation is recorded in the general ledger and on the monthly grant reports.</p>

Genesee County, Michigan

Summary Schedule of Prior Audit Findings Year Ended September 30, 2013

Prior Year Finding Number	Federal Program	Original Finding Description	Status	Planned Corrective Action
2012-6	CDBG Entitlement Grants Cluster 14.218/14.253, Supportive Housing Program 14.235, HOME Program 14.239, Crime Victim Assistance 16.575, ARRA Funded Edward Byrne Memorial Justice Assistance Grant Cluster 16.738/16.803, ARRA Funded WIA Cluster 17.258/17.259/17.260, ARRA Funded Weatherization Assistance 81.042, Centers for Disease Control and Prevention Investigations and Technical Assistance 93.283, ARRA Funded Affordable Care Act Maternal, Infant, and Early Childhood Michigan Home Visiting Program 93.505, ARRA Funded Child Support Enforcement 93.563, Community Services Block Grant Cluster 93.569, ARRA Funded Headstart Cluster 93.600/93.708, Healthy Start Initiative 93.926, ARRA Funded Emergency Food and Shelter Program Cluster 97.114	The SEFA initially prepared by the County was not accurate as some federal program expenditures were missing and other program expenditures were included at the incorrect amount	The issue still remained in the current year (2013-006). However, it impacted less programs than the previous year.	The County reconciled the SEFA expenditures to the Comprehensive Annual Financial Report. The error occurred in the transfer of data to the SEFA report. The accountants will work together more closely to provide accurate reporting.

Genesee County, Michigan

Summary Schedule of Prior Audit Findings (Continued) Year Ended September 30, 2013

Prior Year Finding Number	Federal Program	Original Finding Description	Status	Planned Corrective Action
2012-7	ARRA Funded Child Support Enforcement Grant	There were expenditures identified as being paid with grant funding that were less on the supporting documentation than the amount requested for reimbursement from the granting agency	Repeat finding (2013-005).	<p>The program director will submit, on a monthly basis, a copy of the DHS 286 Report to the Controller's Office. The billings will be used to reconcile the amount requested for reimbursement to the amount recorded on the County's general ledger. If the accountant is unable to reconcile the totals, the accountant will contact the program director for additional assistance.</p> <p>The County has procedures in place to verify expenditures by specific identification and by account number. The County will also ensure the accountant is following proper procedures to provide accurate reporting of expenditures.</p>