

Genesee County, Michigan

**Federal Awards
Supplemental Information
September 30, 2015**

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 County Commission
Genesee County, 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 Genesee County, Michigan (the "County") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 28, 2016, which contained unmodified opinions on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to March 28, 2016. We did not audit the financial statements of Genesee County Planning Commission, a nonmajor governmental fund of the County, which represent less than 1 percent and 1.1 percent of the assets and revenue of the aggregate remaining fund information. We also did not audit the financial statements of Genesee County Road Commission, Economic Development Corporation, and Genesee Health Systems Authority; collectively, these entities comprise 30 and 67 percent of the assets and revenue, respectively, of the aggregate discretely presented 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 Planning Commission, Genesee County Road Commission, Economic Development Corporation, and Genesee Health Systems Authority, is based on the report of the other auditors.

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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

June 20, 2016

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 County Commission
Genesee County, 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 Genesee County, Michigan (the "County") as of and for the year ended September 30, 2015, and related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 28, 2016. Our report includes a reference to other auditors who audited the financial statements of 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'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. The financial statements of the Economic Development Corporation of the County of Genesee, Genesee County Drain Commissioner Division of Water and Waste Services, 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 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 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.

To Management and the County Commission
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 2015-001, 2015-002, and 2015-003 to be material weaknesses.

Compliance and Other Matters

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

Genesee County's Response 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'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

March 28, 2016

**Report on Compliance for Each Major Federal Program;
Report on Internal Control Over Compliance**

Independent Auditor's Report

To the County Commission
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, 2015. 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 Genesee County Planning Commission, which received \$5,971,793, \$3,248,779, \$127,074,959, and \$895,964, respectively, in federal awards, which is not included in the schedule during the year ended September 30, 2015. Our audit, as described below, did not include the operations of the component units Genesee County Road Commission, Genesee County Land Bank, Genesee Health Systems Authority, and the Department of Genesee County Planning Commission because the component units and department 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 County Commission
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, 2015.

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 Findings 2015-005, 2015-006, and 2015-007. Our opinion on each major federal program is not modified with respect to these matters.

Genesee County, Michigan's responses to the noncompliance 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 compliance and, accordingly, we express no opinion on them.

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.

To the County Commission
Genesee County, Michigan

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.

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 2015-004, 2015-006, and 2015-007 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as Finding 2015-005 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. 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

June 20, 2016

Genesee County, Michigan

Schedule of Expenditures of Federal Awards Year Ended September 30, 2015

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	\$ 84,421
Passed through the Michigan Department of Education - Summer Food Service Program for Children	10.559	25SF010000	114,342
Total Child Nutrition Cluster			198,763
SNAP Cluster - Passed through the Michigan Strategic Fund, WDA:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY-15 2M1420122	202,370
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY-15 2M1400100	3,514
SNAP Cluster - Passed through the Michigan Fitness Foundation - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	14,847
Total SNAP Cluster			220,731
Food Distribution Cluster - Passed through the Michigan Department of Education:			
Commodity Supplemental Food Program (Admin)	10.565	25000-1010	398,089
Commodity Supplemental Food Program (Admin)	10.565	N/A	1,229,714
			1,627,803
Emergency Food Assistance Program (Administrative Costs)	10.568	25000-1010-C	147,260
Emergency Food Assistance Program (Food Commodities)	10.569	25000-1010-C	462,917
Total Food Distribution Cluster			2,237,980
Passed through the Michigan Department of Education - Child and Adult Care Food Program	10.558	N/A	377,123
Passed through the Michigan Department of Community Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	IW100342	33,755
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	W500342	2,767
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	IW100342	1,824,903
			1,861,425
Total Department of Agriculture			4,896,022
Department of Housing and Urban Development:			
CDBG Entitlement Grants:			
Direct Programs:			
Community Development Block Grants/Entitlement Grants	14.218	B-08-UC-26-0001	265,208
Community Development Block Grants/Entitlement Grants	14.218	B-15-UC-26-0001	232,770
Community Development Block Grants/Entitlement Grants	14.218	B-11-UN-26-0001	268,737
Community Development Block Grants/Entitlement Grants	14.218	B-12-UC-26-0001	110,551
Community Development Block Grants/Entitlement Grants	14.218	B-13-UC-26-0001	974,894
Community Development Block Grants/Entitlement Grants	14.218	B-14-UC-26-0001	903,927
Passed through City of Flint - Community Development Block Grants/Entitlement Grants	14.218	N/A	377,625
Total CDBG Entitlement Grants			3,133,712
Direct Programs:			
Home Investment Partnerships Program	14.239	M-11-UC-26-0205	111,602
Home Investment Partnerships Program	14.239	M-13-UC-26-0205	232,086
Home Investment Partnerships Program	14.239	M-14-UC-26-0205	281,599
			625,287

Genesee County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2015

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/ Grant Number	Federal Expenditures (Adjustments)
Department of Housing and Urban Development (Continued):			
Homeless Emergency Solutions Grant Program	14.231	E-13-UC-26-0001	\$ 50,848
Homeless Emergency Solutions Grant Program	14.231	E-14-UC-26-0001	133,540
Homeless Emergency Solutions Grant Program	14.231	E-15-UC-26-0001	431
			<hr/> 184,819
Passed through Metro Housing Partnership:			
Supportive Housing Program	14.235	N/A	1,725
Supportive Housing Program	14.235	N/A	<hr/> 46,243
			<hr/> 47,968
Total Department of Housing and Urban Development			<hr/> 3,991,786
Department of Labor:			
Employment Services Cluster - Passed through the Michigan Strategic Fund - WDA - Employment Service/Wagner-Peyser Funded Activities	17.207	AY-14	224,368
WIA Cluster:			
Passed through the Michigan Strategic Fund:			
WIA Admin	17.258	AY-12	16,848
WIA Adult Program	17.258	AY-12	292
Statewide Service Center	17.258	AY-13	27,643
WIA Adult Program	17.258	AY-13	273,953
WIA Statewide JAG Expansion	17.258	AY-13	70,000
WIA Admin	17.258	AY-14	2,238
WIA Adult Program	17.258	AY-14	1,068,062
WIA Service Center	17.258	AY-14	<hr/> 84,200
			1,543,236
WIA Dislocated Worker Formula Grants	17.278	AY-12	151,629
WIA Dislocated Worker Formula Grants	17.278	AY-14	356,975
WIA Dislocated Worker Formula Grants	17.278	AY-13	<hr/> 151,451
			660,055
Passed through the Michigan Strategic Fund - WDA:			
WIA Youth Activities	17.259	AY-13	86,717
WIA Youth Activities	17.259	AY-14	814,667
WIA Youth Activities	17.259	AY-15	<hr/> 2,892
			<hr/> 904,276
Total WIA Cluster			<hr/> 3,107,567
Passed through the Michigan Strategic Fund - WIA National Emergency Grants	17.277	AY-13	79,417
Passed through the Michigan Strategic Fund:			
Trade Adjustment Assistance	17.245	FY-15	610,088
Trade Adjustment Assistance	17.245	FY-15	<hr/> 219,306
			<hr/> 829,394
Total Department of Labor			<hr/> 4,240,746

Genesee County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2015

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-15	\$ 7,299,004
Aging Cluster - Passed through the Valley Area Agency on Aging: Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	N/A	1,161,143
Nutrition Services Incentive Program	93.053	N/A	316,178
Total Aging Cluster			1,477,321
Medicaid Cluster - Passed through the Michigan Department of Community Health: Medical Assistance Program	93.778	05U05M15ADM	113,000
Medical Assistance Program	93.778	N/A	155,948
Medical Assistance Program	93.778	05U05M15ADM	20,994
Total Medicaid Cluster			289,942
CCDF Cluster - Child Care and Development Block Grant	93.575	N/A	470,815
Passed through the Michigan Department of Community Health Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance - Financed in Part by the Prevention and Public Health Fund (PPHF-2012)	93.733	1H231P0071101	50,000
Passed through the Michigan Department of Human Services: Community Services Block Grant	93.569	CSBG-10-25012	1,103,750
Community Services Block Grant	93.569	CSBG-T-06-25012	23,900
			1,127,650
Passed through the Michigan Department of Community Health: Immunization Cooperative Agreements	93.268	H23 CCH522556	200,720
Immunization Cooperative Agreements	93.268	N/A	736,510
			937,230
Direct Programs:			
Head Start	93.600	N/A	11,713
Head Start	93.600	N/A	78,257
Head Start	93.600	N/A	14,786
Head Start	93.600	N/A	44,567
Head Start	93.600	N/A	2,790,729
Head Start	93.600	N/A	1,163,341
Head Start	93.600	N/A	1,597,696
Head Start	93.600	N/A	3,439,216
			9,140,305
Healthy Start Initiative	93.926	H49MC00148-10-00	266,219
Passed through the Michigan Department of Community Health: Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	U52 CCU500499	3,000
Public Health Emergency Preparedness	93.069	U90TP000528	133,230
Public Health Emergency Preparedness	93.069	1H75T000353	10,448
Public Health Emergency Preparedness	93.069	U90TP000528	43,735
			187,413

Genesee County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2015

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):			
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.283	U58DP001439	\$ 17,911
Family Planning Services	93.217	GFHPA05017341	229,709
Affordable Care Act Maternal, Infant, and Early Childhood Michigan Home Visiting Program	93.505	D89MC23151	42,843
Affordable Care Act Maternal, Infant, and Early Childhood Michigan Home Visiting Program	93.505	D89MC23151	67,005
Affordable Care Act Maternal, Infant, and Early Childhood Michigan Home Visiting Program	93.505	IX02MC231100100	25,585
Affordable Care Act Maternal, Infant, and Early Childhood Michigan Home Visiting Program	93.505	N/A	166,785
Home Visiting Program	93.505	05SE0808/01	183,662
			485,880
Child Support Enforcement	93.563	CS/PA-13-25002	1,234,828
Child Support Enforcement	93.563	CS/FOC-13-25001	4,391,173
Child Support Enforcement	93.563	N/A	711,466
			6,337,467
Preventive Health Services - Sexually Transmitted Disease Control Grants	93.977	IH25PS001338	14,250
Preventive Health Services - Sexually Transmitted Disease Control Grants	93.977	IH25PS0043333-01	42,750
			57,000
Cooperative Agreements for State-based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.752	IU58BP003921	70,890
Maternal and Child Health Services Block Grant to the States	93.994	BIMIMCHS	92,871
Maternal and Child Health Services Block Grant to the States	93.994	BIMIMCHS	200,294
			293,165
HIV Prevention Activities - Health Department-based	93.940	U62PS003671	59,457
Passed through Michigan Department of Human Services:			
Low-income Home Energy Assistance	93.568	N/A	310,367
Trauma Informed Screening Assessment and Treatment	93.652	7847-2013-GCCC	4,807
Foster Care Title IV-E	93.658	PROFC-11-25001	206,899
Passed through Michigan Strategic Fund - WDA:			
Chafee Foster Care Independence Program	93.674	FY-15	26,316
Total Department of Health and Human Services			29,348,767
Department of Homeland Security -			
Passed through Michigan State Police:			
Emergency Management Performance Grant	97.042	FY2014	38,860
Emergency Management Performance Grant	97.042	FY2015	29,489
Total Department of Homeland Security			68,349
Department of Justice:			
Justice Assistance Grant Program:			
Direct Programs - Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A	225,396
Passed through Flint Township:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	FYE 2012	11,438
Edward Byrne Memorial Justice Assistance Grant Program	16.738	FYE 2011	4,156
			15,594

Genesee County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2015

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/ Grant Number	Federal Expenditures (Adjustments)
Department of Justice (Continued):			
Passed through the State of Michigan-MSP:			
Edward Byrne Memorial Justice Assistance Grant Program	16.738	72432-1-13-B	\$ 197,658
Edward Byrne Memorial Justice Assistance Grant Program	16.738	FYE 2013	15,000
			<u>212,658</u>
Total Edward Byrne Memorial Justice Assistance Grant Program			<u>453,648</u>
Passed through the State of Michigan - Recovery Act-Edward Byrne Memorial Assistance Grant (JAG) Program/Grants to States and Territories	16.803	N/A	<u>151,238</u>
Total Justice Assistance Grant Program			604,886
Passed through the Office of Community Oriented Policing Services - Public Safety Partnership and Community Policing Grants-COPS-Tech Advance	16.710	N/A	134,467
Passed through the Michigan Department of Community Health - Crime Victim Assistance	16.575	20545-6V01	48,902
Passed through the Michigan Department of Human Services - Juvenile Accountability Block Grant	16.523	JAIBG-13-25001	<u>40,050</u>
Total Department of Justice			828,305
Department of Energy:			
Passed through the Michigan Department of Human Services:			
Weatherization Assistance for Low-income Persons	81.042	DOE-09-25012	193,324
Weatherization Assistance for Low-income Persons	81.042	DOE-09-25012	<u>80,494</u>
Total Department of Energy			<u>273,818</u>
Total Federal Financial Assistance			<u><u>\$ 43,647,793</u></u>

Genesee County, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended September 30, 2015

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 49,069,871
Add federal revenue reported as state revenue	102,533
Less state revenue reported as federal	(510,580)
Less deferred inflows at September 30, 2014	(4,471,980)
Add deferred inflows at September 30, 2015	299,669
Revenue included in financial statements but included in a separate single audit	(926,279)
Less change in inventory	(58,972)
Add program income reported as other income on the financial statements	<u>143,531</u>
Federal expenditures per the schedule of expenditures of federal awards	<u><u>\$ 43,647,793</u></u>

Genesee County, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2015

Note 1 - Basis of Presentation

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, 2015. 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 Genesee County, Michigan, it is not intended to and does not present the financial position, changes in net assets or cash flows of Genesee County, Michigan.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-133, *Cost Principles for A-87*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3 - 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	\$ 3,107,567
TANF Cluster	93.558	7,299,004
Head Start	93.600	907,430
Community Development Block Grant	14.218	1,716,581
	Total	<u>\$ 13,030,582</u>

Genesee County, Michigan

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

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? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? Yes X None reported

Noncompliance material to financial statements noted?

 Yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X Yes No
- Significant deficiency(ies) identified that are not considered to be material weaknesses? X 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?

 X Yes No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.565, 10.568, 10.569	Food Distribution Cluster
14.218	Community Development Block Grant
93.045, 93.053	Aging Cluster
93.563	Child Support Enforcement
93.600	Head Start

Dollar threshold used to distinguish between type A and type B programs: \$1,309,434

Auditee qualified as low-risk auditee? Yes X No

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2015

Section II - Financial Statement Audit Findings

Reference Number	Finding
2015-001	<p>Finding Type - Material weakness</p> <p>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.</p> <p>Condition - Adjusting journal entries were proposed in order to prepare the County's financial statements in accordance with GAAP. These entries related to adjusting revenue, receivable, and deferred inflows related to grant revenue, incurred but not reported (IBNR) liability and expense, allowance for uncollectible interest and penalties and receivables related activity in the Delinquent Tax Revolving Fund, reconciliation of activity in the Drains Component Unit, net position/fund balance, accounts payable, and expense.</p> <p>Context - Overall, the County does a comprehensive job of getting the books and records adjusted for year-end entries. The majority of these entries that were identified as part of the audit are the same entries that are identified each year. All of these entries relate to adjustments that are made once per year during the year-end closing process. These adjustments do not affect the integrity of the day-to-day internal financial statements.</p> <p>Cause - The County did not identify the above-described journal entries prior to the start of the audit.</p> <p>Effect - Auditor-proposed journal entries were recorded, except for the entries related to adjusting revenue, receivable, deferred inflows, allowance for chargebacks, and allowance for uncollectible interest and penalties identified above, which were determined by management to be insignificant to the financial statements. The amounts were not material.</p> <p>Recommendation - The County should implement procedures to ensure that all appropriate journal entries are made for these type of entries and independently reviewed prior to the start of the audit.</p>

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2015

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2015-001 (Cont')	<p>Views of Responsible Officials and Planned Corrective Actions - The County's goal 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, 2016.</p> <p>In furtherance of this goal, the controller's department was reorganized and augmented midway through the year ended September 30, 2015 as follows:</p> <p>Two assistant controller positions were established.</p> <p>A staff accountant in the controller's department was promoted to the newly created position of assistant controller of fiscal operations.</p> <p>An accounting supervisor from the health department was promoted to the newly created position of assistant controller of financial operations.</p> <p>The job duties were realigned to better balance the workload and to match the duties and responsibilities with the experience and knowledge of the staff accountants.</p> <p>A staff accountant position that had been open for some time was finally filled and another staff accountant was replaced.</p> <p>As a result of the changes, the year-end closing for September 2015 was much improved. As we continue to assimilate the changes that have been made, we are confident that we will be able to continue to improve the completeness and timeliness of the year-end closing.</p>

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2015

Section II - Financial Statement Audit Findings (Continued)

Reference

Number

Finding

2015-002 **Finding Type** - Material weakness

Criteria - There should be a procedure in place to track and review changes to the payroll system to ensure that when payroll information is entered in the system, it cannot be processed inappropriately.

Condition - The County's modifiable payroll system does not have the ability to track changes made to the system.

Context - A modifiable systems report that shows all changes to the payroll system, from initiation to authorization, was not available during the audit.

Cause - System limitations and availability of resources prevented this report from being run and reviewed to ensure all changes were authorized and appropriate.

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.

Recommendation - We suggest that a process be put in place over the payroll system to track changes and identify unauthorized changes to the system.

Views of Responsible Officials and Planned Corrective Actions - This is a repeat finding that is caused by the limitations of our legacy payroll system and will continue to be the case until the County completes the implementation of a new financial management system, currently scheduled for completion in January 2017. In the interim, the County has implemented countermeasures to mitigate the internal control weakness. However, there were staffing constraints and the approval process for changes was streamlined when positions were eliminated due to budget restraints. At one time, there was one system analyst and two programmers working on payroll. Currently, payroll staff is down to one analyst who is shared with two other departments, and a part-time retiree. Notwithstanding the system limitations and availability of resources as noted, the functions of making payroll changes and preparing payroll are segregated and changes made by the HR department are noted in employees' personnel files.

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2015

Section II - Financial Statement Audit Findings (Continued)

Reference

Number

Finding

2015-003 **Finding Type** - Material weakness

Criteria - There should be a procedure in place to reconcile bank activity on a timely basis and ensure cash balances are properly stated as of the end of the year.

Condition - The County did not prepare a timely bank reconciliation for the September 2015 pooled cash bank reconciliation as well as several other reconciliations during the year. In addition, the bank reconciliation that was originally received by the auditors as final was not fully reconciled and adjustments were made after the fact to properly adjust the bank reconciliation. For the September 30, 2015 bank reconciliation, an unsupported adjustment to the County's general ledger was posted to increase cash and record revenue for approximately \$418,000 in order to get the County's cash balance to be properly recorded.

Context - During the year, the County experienced complex changes with the pooled cash bank reconciliations. It was an unexpected change and the accounting staff had to review a significant amount of information and prepare the September 2015 bank reconciliation. As a result, corrections were still being made to the September bank reconciliation as of February 2016 to ensure cash balances were at correct amounts and that revenue and expense were properly recorded. Once the bank reconciliation was given to the auditors, there were still substantial changes that needed to be made to the reconciliation, including material adjustments. Without these corrections, the financial statements would have been misstated.

Cause - The bank reconciliation process for the September 2015 bank reconciliation was not timely, and there were no clear procedures set to ensure reconciliations were prepared accurately. Also, reconciling items from prior months continued to be carried forward instead of getting cleaned up in the month in which they were realized.

Effect - Timely bank reconciliation preparation and review did not occur to ensure cash balances were properly stated and revenue and expense were properly recorded as of the end of the year.

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2015

Section II - Financial Statement Audit Findings (Continued)

Reference

Number

Finding

2015-003 **Recommendation** - We recommend, going forward, that the County prepare bank reconciliations on a timely basis and review reconciling items included on the bank reconciliation to ensure that they are truly reconciling items at year end and that the bank reconciliations are accurate.

(Cont')

Views of Responsible Officials and Planned Corrective Actions - Prior to the reorganization of the controller's department, all bank reconciliations were done by one staff accountant for many years. Sadly, this person passed away suddenly. We were hampered by a lack of procedural documentation and process knowledge and, as a result, fell behind schedule when reassigning the bank reconciliation duties. The County has implemented new procedures over the pooled cash accounts and the reconciliations of amounts to ensure that bank reconciliations are done timely and correctly and that any required adjustments are made promptly.

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2015

Section III - Federal Program Audit Findings

Reference

Number

Finding

2015-004 **CFDA Number, Federal Agency, and Program Name** - Adult Care Food Program (CFDA 10.558), Food Distribution Cluster (CFDA 10.565), Community Development Block Grant (CDBG) (CFDA 14.218), Child Support Enforcement (CFDA 93.563), and Aging Cluster (CFDA 93.045)

Federal Award Identification Number and Year - N/A. Federal expenditures in total for each grant noted above were incorrect when the initial version of the SEFA was given. The errors did not relate to one particular federal award ID number and year.

Pass-through Entity - Michigan Department of Education, Michigan Department of Community Mental Health, Michigan Valley Area Agency on Aging

Finding Type - Material weakness

Repeat Finding - Yes

Prior year audit finding number 2014-005

Criteria - OMB Circular A-133 requires organizations to properly reflect federal expenditures in the schedule of expenditures of federal awards (SEFA).

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 Adult Care Food Program (CFDA 10.558), Food Distribution Cluster (CFDA 10.565), Community Development Block Grant (CDBG) (CFDA 14.218), Child Support Enforcement (CFDA 93.563), and Aging Cluster (CFDA 93.045) were adjusted by approximately \$2,000,000. 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.

Questioned Costs - None

Identification of How Questioned Costs Were Computed - N/A

Context - The adjustments that have been made to the expenditures reported on the schedule of expenditures of federal awards required updating of grant amounts used for major program determination. The changes to the schedule of expenditures of federal awards did not impact major program determination.

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.

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2015

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2015-004 (Cont')	<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 - Additional training will be provided to the new accountants that took over SEFA duties during the year and the County will prepare an annual reconciliation of SEFA expenditures to financial statement supporting schedules to ensure the accuracy of the data. The new finance director at Genesee County Community Action Resource Department (GCCARD) has implemented a system to assure that the SEFA information for GCCARD is complete, accurate, and reconciled to the financial statements prior to final submission.</p>

Reference Number	Finding
2015-005	<p>CFDA Number, Federal Agency and Program Name - CFDA# - 10.565/10.568/10.569 Food Distribution Cluster</p> <p>Federal Award Identification Number and Year - N/A</p> <p>Pass-through Entity - State of Michigan</p> <p>Finding Type - Significant deficiency and material noncompliance with laws and regulations</p> <p>Repeat Finding - No</p> <p>Criteria - Grantees must use their administrative funds for activities for the administration of the food distribution program. Such activities include, but are not limited to, transporting and storing USDA foods within a recipient agency's service area, determining the eligibility of program applicants, publishing the times and locations of food distribution, and issuing USDA foods to eligible persons (7 CFR sections 247.25 and 251.8(e)).</p> <p>Condition - During the audit, it was noted a weatherization charge for printing costs was charged to a food distribution program expense line and requested for reimbursement by the grantor. The cost charged to the grant was not allowable. The extrapolated questioned costs exceeded \$10,000.</p> <p>Questioned Costs - \$98</p>

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2015

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2015-005 (Cont')	<p>Identification of How Questioned Costs Were Computed - Allowable costs - Costs not related to the administration of the food distribution program are not allowed to be charged to the grant.</p> <p>Context - A \$98 expense was charged to the food distribution cluster but was not an allowable expense of the grant and should have been charged to another grant.</p> <p>Cause and Effect - There was an item that was not identified as being unallowable during the review of costs to ensure they are allowable under the requirements of the grant. This led to an unallowable costs being charged to the grant and requested for reimbursement from the grantor. The cause was due to the small dollar amount it was missed upon second review. The County does have a review process in which more than one individual reviews each invoice for allowability before payment or request for reimbursement.</p> <p>Recommendation - We recommend a system be put in place to ensure all costs, no matter the dollar amount, are reviewed to determine allowability under the requirements of the grant.</p> <p>Views of Responsible Officials and Planned Corrective Actions - GCCARD has enhanced measures in place that incorporate three different levels of review that take place before expenditures are approved. First, program directors review expenses to match receipts/invoices and then create the request for payments (RFP). The RFP assigns proper fund numbers, line items, and budget section. Secondly, the RFP proceeds to be processed in the finance department. Once the RFP is reviewed by the senior account clerk for the second check, it then is keyed into the financial system (GEMS) as a requisition. Thirdly, the RFP is then reviewed by the finance specialist staff and sent to the controller's office for processing. GCCARD employee training is ongoing and as new internal controls are adopted employees will receive required training.</p>

Reference Number	Finding
2015-006	<p>CFDA Number, Federal Agency and Program Name - 10.565/10.568/10.569 Food Distribution Cluster</p> <p>Federal Award Identification Number and Year - 25000-1010-C, 2015</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material weakness and material noncompliance with laws and regulations</p>

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2015

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2015-006 (Cont')	<p>Repeat Finding - No</p> <p>Criteria - Per the grant agreement, the entity is required to re-certify eligibility for the food distribution program to confine distribution of USDA foods received from the state agency to recipients determined to be eligible in accordance with instructions issued by the State agency and Federal Regulations 7 CFR Part 247, Part 250, and FNS Food Package instructions for CSFP.</p> <p>Condition - We noted during testing that documentation of the recertification of eligibility was not on file for all individuals that were due for recertification on a biannual basis.</p> <p>Questioned Costs - None</p> <p>Identification of How Questioned Costs Were Computed - N/A</p> <p>Context - We selected 40 individuals for testing and 37 lacked documentation for recertification. However, based on our testing, we noted no individuals that were not eligible under the grant requirements.</p> <p>Cause and Effect - The database system is supposed to print out recertification applications when a client is due. The drivers and office staff should be doing this monthly as the client becomes eligible for recertification. The system was not operating as intended, which led to the recertifications not being on file for the participants selected.</p> <p>Recommendation - We recommend that an internal control be put in place to ensure the system is generating the recertification as required.</p> <p>Views of Responsible Officials and Planned Corrective Actions - In the cases wherein the clients coming in the storefront were in need of full (odd) recertification and did not have proof of income with them, we were allowing them to receive and not having them sign the applications. That method has been eliminated and clients are now being told that they cannot receive distribution until they bring in the required documents to recertify their income. We have posted signs in the store front to educate clients what is required for recertification so they can begin to have the documentation with them. GCCARD employee training is ongoing and as new internal controls are adopted, employees will receive required training.</p>

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2015

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2015-007	<p>CFDA Number, Federal Agency and Program Name - 14.218 Community Development Block Grants - Entitlement Grant</p> <p>Federal Award Identification Number and Year - B-15-UC-26-0001, 2015</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Material weakness and material noncompliance with laws and regulations</p> <p>Repeat Finding - No</p> <p>Criteria - On December 19, 2014, within 79 FR 76078 (the "Joint Interim Final Rule"), HUD amended Title 24, Subtitle A, Part 84, §84.1 that deals with the applicability of 2 CFR Part 200. Subparagraph (b) of this section says, "Federal awards made prior to December 26, 2014 will continue to be governed by the regulations in effect and codified in 24 CFR part 84 (2013 edition) or as provided under the terms of the federal award. Where the terms of a federal award made prior to December 26, 2014, state that the award will be subject to regulations as may be amended, the federal award shall be subject to 2 CFR Part 200." In accordance with Notice SD-2015-01 issued on February 26, 2015 by HUD, which provides transition guidance to 2 CFR Part 200, the grant agreements for some HUD programs (e.g., Community Development Block Grant, HOME Investment Partnerships, Emergency Solutions Grants, Indian Housing Block Grants, Native Hawaiian Block Grants, and Indian Community Development Block Grants) incorporate the regulations "as now in effect and as may be amended from time to time" and, therefore, 2 CFR part 200 will be applicable to these grants on December 26, 2014.</p> <p>Condition - The County received CDBG funding and included in the award document was reference to regulations "as now in effect and as may be amended from time to time." The County administered the award under Circular A-87, <i>Cost Principles for State, Local, and Indian Tribal Governments</i>, and Circular A-102, <i>Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments</i>. The Authority was unaware of HUD's intent per both 79 FR 76078 and HUD's Notice SD-2015-01 related to applicability of 2 CFR Part 200 to this grant as of December 26, 2014.</p> <p>Questioned Costs - Unknown</p> <p>Identification of How Questioned Costs Were Computed - N/A</p>

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2015

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2015-007 (Cont')	<p>Context - The County expended \$1,879,522 related to CDBG after December 26, 2014, which represents 60 percent of the total CDBG expenditures reported for fiscal year 2015. This amount should have been subject to 2 CFR Part 200. Subsequent to December 26, 2014, although these dollars were to be administered under 2 CFR Part 200, the County continued to administer these award dollars under A-87 and A-102; as a result, the County did not materially comply with the requirements specified under 2 CFR Part 200 for the following compliance requirements as described below: 1) Activities allowed and allowable costs - Lack of written policies surrounding how allowable costs are determined 2) cash management - Lack of written policies surrounding cash management procedures and the lack of certification language required by 2 CFR 200.415, and 3) procurement policy changes This noncompliance is not pervasive to the entire entity, but limited to this particular HUD award given the unique nature of the transition guidance provided by HUD.</p> <p>Cause and Effect - HUD's intent regarding the applicability of 2 CFR Part 200 was not clear. As a result, related to this grant, the County did not comply with 2 CFR 200 subsequent to December 26, 2014 as required by the Joint Interim Final Rule and by HUD's Notice SD-2015-01.</p> <p>Recommendation - We recommend the County seek HUD's advice on how to handle this noncompliance condition given that the implementation of 2 CFR Part 200 did not occur as required.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Our auditors, Plante & Moran, PLLC, conducted a seminar for the County's grant administrators providing direction on compliance with 2 CFR Part 200. The County will discuss with HUD as well as other federal agencies/grantors on how to handle implementation and adherence to all administrative requirements referenced in the <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (known to many as the "Super Circular"). In addition, as recommended, the County will seek advice from HUD on how to handle this noncompliance condition as it relates to the Community Development Block Grant Program.</p>

Genesee County, Michigan

Summary Schedule of Prior Audit Findings Year Ended September 30, 2015

Prior Year Finding Number	Federal Program	Original Finding Description	Status	Planned Corrective Action
2014-005	Adult Care Food Program (CFDA 10.558), Food Distribution Cluster (CFDA 10.565), Child Support Enforcement (CFDA 93.563), and Aging Cluster (CFDA 93.045)	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.	Repeat finding (2015-004)	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.
2014-006	Child Support Enforcement (CFDA 93.563)	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.	The issue was resolved in the current year	N/A