

Genesee County, Michigan

**Federal Awards
Supplemental Information
September 30, 2016**

Genesee County, Michigan

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Report on Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance

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, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 23, 2017 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 23, 2017. We did not audit the financial statements of Genesee County Planning Commission, a nonmajor governmental fund of the County, which represents less than 1 percent and 1.1 percent of the assets and revenue, respectively, of the of the aggregate remaining fund information. We also did not audit the financial statements of the Genesee Health Systems Authority, which represents 6 and 49 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 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 the Uniform Guidance, 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 22, 2017

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, 2016, and related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 23, 2017. Our report includes a reference to other auditors who audited the financial statements of Genesee County Planning Commission and Genesee Health Systems Authority, as described in our report on the 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 Genesee County Road Commission, 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 County's financial statements will not be prevented, or detected and corrected, on a timely basis. 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 deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2016-001, 2016-002, and 2016-003 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 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'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 23, 2017

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) Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016. 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.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

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.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about 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.

To the County Commission
Genesee County, Michigan

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, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the OMB Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as Findings 2016-004, 2016-005, and 2016-006. 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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and, therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

To the County Commission
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 a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention of those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2016-004, 2016,005, and 2016-006 to be material weaknesses.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Plante & Moreau, PLLC

June 22, 2017

Genesee County, Michigan

Schedule of Expenditures of Federal Awards Year Ended September 30, 2016

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/ Grant Number	Total Amount Provided to Subrecipients	Federal Expenditures (Adjustments)
Department of Agriculture:				
Child Nutrition Cluster:				
Passed through the Michigan Department of Agriculture -				
National School Lunch Program	10.555	N/A	\$ -	\$ 42,031
Passed through the Michigan Department of Education -				
Summer Food Service Program for Children	10.559	255F010000	-	206,102
Total Child Nutrition Cluster			-	248,133
SNAP Cluster - Passed through the Michigan Strategic Fund, WDA:				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY-15 2M1420122	-	-
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	FY-15 2M1400100	-	-
SNAP Cluster - Passed through the Michigan Fitness Foundation -				
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	-	35,044
Total SNAP Cluster			-	35,044
Food Distribution Cluster - Passed through the Michigan Department of Education:				
Commodity Supplemental Food Program (Admin)	10.565	25000-1010	-	365,966
Commodity Supplemental Food Program (Admin)	10.565	N/A	-	1,065,458
			-	1,431,424
Emergency Food Assistance Program (Administrative Costs)	10.568	25000-1010-C	-	157,618
Emergency Food Assistance Program (Food Commodities)	10.569	25000-1010-C	-	971,744
Total Food Distribution Cluster			-	2,560,786
Passed through the Michigan Department of Education -				
Child and Adult Care Food Program	10.558	N/A	-	359,784
Passed through the Michigan Department of Community Health:				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	IW100342	44,638	44,638
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	W500342	9,704	9,704
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	IW100342	49,571	2,033,528
			103,913	2,087,870
Total Department of Agriculture			103,913	5,291,617
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	-	(53,480)
Community Development Block Grants/Entitlement Grants	14.218	B-11-UN-26-0001	4,130	203,028
Community Development Block Grants/Entitlement Grants	14.218	B-12-UC-26-0001	-	-
Community Development Block Grants/Entitlement Grants	14.218	B-13-UC-26-0001	-	80,287
Community Development Block Grants/Entitlement Grants	14.218	B-14-UC-26-0001	185,573	678,750
Community Development Block Grants/Entitlement Grants	14.218	B-15-UC-26-0001	457,480	875,858
Passed through City of Flint - Community Development Block Grants/Entitlement Grants	14.218	N/A	-	304,654
Total CDBG Entitlement Grants Cluster			647,183	2,089,097
Direct Programs:				
Shelter Plus Care Program	14.238	N/A	-	145,390
Home Investment Partnerships Program	14.239	M-11-UC-26-0205	4,200	4,200
Home Investment Partnerships Program	14.239	M-13-UC-26-0205	17,993	148,875
Home Investment Partnerships Program	14.239	M-14-UC-26-0205	-	67,254
Home Investment Partnerships Program	14.239	M-15-UC-26-0205	409,378	409,378
			431,571	775,097
Homeless Emergency Solutions Grant Program	14.231	E-13-UC-26-0001	-	-
Homeless Emergency Solutions Grant Program	14.231	E-14-UC-26-0001	478	4,354
Homeless Emergency Solutions Grant Program	14.231	E-15-UC-26-0001	136,370	140,320
Emergency Solutions Grant Program	14.231	N/A	-	48,886
Emergency Solutions Grant Program	14.231	N/A	-	2,215
			136,848	195,775
Passed through Metro Housing Partnership -				
Supportive Housing Program	14.235	N/A	-	36,740
Total Department of Housing and Urban Development			1,215,602	3,096,709

Genesee County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2016

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/ Grant Number	Total Amount Provided to Subrecipients	Federal Expenditures (Adjustments)
Department of Labor -				
Employment Services Cluster - Passed through the Michigan Strategic Fund - WDA - Employment Service/Wagner-Peyser Funded Activities	17.207	N/A	\$ -	\$ 29,435
Department of Health and Human Services:				
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	-	1,189,262
Nutrition Services Incentive Program	93.053	N/A	-	330,531
Total Aging Cluster			-	1,519,793
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	-	184,046
Medical Assistance Program	93.778	05U05M15ADM	-	37,809
Medical Assistance Program	93.778	05U05M15ADM	-	45,995
Total Medicaid Cluster			-	380,850
Passed through the Michigan Department of Community Health - Infrastructure and Performance - Financed in Part by the Prevention and Public Health Fund (PPHF-2012)	93.733	1H231P0071101	-	65,000
Passed through the Michigan Department of Human Services:				
Community Services Block Grant	93.569	CSBG-10-25012	-	1,168,166
Community Services Block Grant	93.569	CSBG-10-25012	-	49,989
			-	1,218,155
Passed through the Michigan Department of Community Health:				
Immunization Cooperative Agreements	93.268	H23 CCH522556	-	82,186
Immunization Cooperative Agreements	93.268	3H231P0071101S1	-	115,641
Immunization Cooperative Agreements	93.268	N/A	-	796,585
Immunization Cooperative Agreements	93.268	1H231P000854	-	10,000
			-	1,004,412
Direct Programs:				
Head Start	93.600	N/A	8,861	83,312
Head Start	93.600	N/A	4,422	10,573
Head Start	93.600	N/A	-	35,507
Head Start	93.600	N/A	-	6,750
Head Start	93.600	N/A	133,933	1,760,817
Head Start	93.600	N/A	420,909	3,361,248
Head Start	93.600	N/A	-	2,609,034
Head Start	93.600	N/A	-	996,707
			568,125	8,863,948
Healthy Start Initiative	93.926	H49MC00148-10-00	150,692	314,521
Healthy Start Initiative	93.926	H49MC00148-13-02	217,154	353,729
			367,846	668,250
Passed through the Michigan Department of Community Health:				
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	U52 CCU500499	-	100
Public Health Emergency Preparedness	93.069	U90TP000528	-	136,821
Public Health Emergency Preparedness	93.069	CCU517018	-	36,516
Public Health Emergency Preparedness	93.069	1H75T000353	-	9,217
			-	182,554
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.094	U58DP004687	-	9,673
Centers for Disease Control and Prevention Investigations and Technical Assistance	93.758	2B01OT009028	-	10,000
Family Planning Services	93.217	GFPHPA05017341	-	203,255
Affordable Care Act Maternal, Infant, and Early Childhood Michigan Home Visiting Program	93.505	D89MC26358	49,119	50,000
Affordable Care Act Maternal, Infant, and Early Childhood Michigan Home Visiting Program	93.505	N/A	-	298,408
Home Visiting Program	93.505	05SE0808/01	-	173,988
			49,119	522,396
Child Support Enforcement	93.563	CS/PA-13-25002	-	1,240,756
Child Support Enforcement	93.563	CS/FOC-13-25001	-	4,274,824
Child Support Enforcement	93.563	N/A	-	743,917
			-	6,259,497

Genesee County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2016

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Project/ Grant Number	Total Amount Provided to Subrecipients	Federal Expenditures (Adjustments)
Department of Health and Human Services (Continued):				
Preventive Health Services - Sexually Transmitted Disease Control Grants	93.977	IH25PS0043333-01	\$ -	\$ 47,500
Cooperative Agreements for State-based Comprehensive Breast and Cervical Cancer Early Detection Programs	93.752	IU58BP003921	-	10,281
Maternal and Child Health Services Block Grant to the States	93.994	BIMIMCHS	-	22,488
Maternal and Child Health Services Block Grant to the States	93.994	BIMIMCHS	-	322,297
Maternal and Child Health Services Block Grant to the States	93.994	BIMIMCHS	-	40,500
Maternal and Child Health Services Block Grant to the States	93.994	BIMIMCHS	-	38,972
Maternal and Child Health Services Block Grant to the States	93.994	BIMIMCHS	-	59,453
			-	483,710
HIV Prevention Activities - Health Department-based	93.940	U62PS003671	-	9,621
HIV Prevention Activities - Health Department-based	93.940	NU62PS003671	-	25,862
			-	35,483
Passed through Michigan Department of Human Services:				
Low-income Home Energy Assistance	93.568	LIHEAP-08-25012	-	207,436
Low-income Home Energy Assistance	93.568	N/A	-	479,830
Low-income Home Energy Assistance	93.568	N/A	-	5,300
			-	692,566
Foster Care Title IV-E	93.658	PROFC-11-25001	-	208,466
Total Department of Health and Human Services			985,090	22,385,889
Department of Homeland Security -				
Passed through Michigan State Police -				
Emergency Management Performance Grant	97.042	FY2016	-	14,841
Department of Justice:				
Justice Assistance Grant Program:				
Direct Programs - Edward Byrne Memorial Justice Assistance Grant Program	16.738	N/A		234,446
Passed through the State of Michigan-MSP:				
Edward Byrne Memorial Justice Assistance Grant Program	16.738	72432-1-13-B	-	198,906
Edward Byrne Memorial Justice Assistance Grant Program	16.738	FYE 2013	-	45,762
Edward Byrne Memorial Justice Assistance Grant Program	16.738	FYE 2014	-	9,770
			-	254,438
Total Edward Byrne Memorial Justice Assistance Grant Program			-	488,884
Passed through the State of Michigan-MSP -				
National Sexual Assault Kit Initiative (SAKI)	16.833	2015-AK-BX-K016	66,107	66,107
Passed through the State of Michigan - Recovery Act-Edward Byrne Memorial Assistance Grant (JAG) Program/Grants to States and Territories	16.803	N/A	91,333	143,372
Total Justice Assistance Grant Program			157,440	698,363
Passed through the Michigan Department of Community Health -				
Crime Victim Assistance	16.575	20545-6V01	-	52,773
Total Department of Justice			157,440	751,136
Department of Energy -				
Passed through the Michigan Department of Human Services:				
Weatherization Assistance for Low-income Persons	81.042	DOE-09-25012	-	34,642
Weatherization Assistance for Low-income Persons	81.042	DOE-09-25012	-	314,959
Total Department of Energy			-	349,601
Environmental Protection Agency -				
Drinking Water State Revolving Fund Cluster Passed through the Michigan Department of Environmental Quality -				
State Drinking Water Revolving Loan Fund Program	66.468	FS97548771	-	84,652
Federal Emergency Management Agency -				
Passed through the United Way -				
F.E.M.A. - Emergency Management Food and Shelter Program	83.523	N/A	-	16,721
Total Federal Financial Assistance			\$ 2,462,045	\$ 32,020,601

Genesee County, Michigan

Reconciliation of Basic Financial Statements Federal Revenue with Schedule of Expenditures of Federal Awards Year Ended September 30, 2016

Revenue from federal sources - As reported on financial statements (includes all funds)	\$ 29,068,426
Add federal revenue reported as state revenue	196,292
Less state revenue reported as federal	(1,717,932)
Less deferred inflows at September 30, 2015	(299,669)
Add deferred inflows at September 30, 2016	5,932,984
Revenue included in financial statements but included in a separate single audit	(999,093)
Less change in inventory	<u>(160,407)</u>
Federal expenditures per the schedule of expenditures of federal awards	<u>\$ 32,020,601</u>

Genesee County, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2016

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, 2016. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (the "Uniform Guidance"). 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 of Genesee County.

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.

The County has elected not to use the 10 percent *de minimus* indirect cost rate to recover indirect costs as allowed under the Uniform Guidance.

Genesee County, Michigan

Schedule of Findings and Questioned Costs Year Ended September 30, 2016

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 2 CFR 200.516 (a)?

☒ Yes ☐ No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.569, 10.568, 10.565 10.557	Food Distribution Cluster Special Supplement Nutrition Program for Women, Infants, and Children
14.218	CDBG - Entitlement Grants Cluster
93.053, 93.045	Aging Cluster
93.268	Immunization Cooperative Agreements
93.563	Child Support Enforcement
93.569	Community Services Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$960,618

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

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2016

Section II - Financial Statement Audit Findings

Reference Number	Finding
2016-001	<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 by the auditors and posted by the County in order to prepare the County's financial statements in accordance with GAAP. These entries related to the allowance for uncollectible interest and penalties for DTR, adjusting revenue, receivable, and deferred inflows related to grant revenue, reconciliation of activity in the Drains Component Unit, net position/fund balance, cash, investments, accounts payable, accumulated depreciation, capital assets, and expenses.</p> <p>Context - Over the last year or so, the County's controller's office has worked hard toward improving the year-end closing process. It has implemented many new processes and procedures related to closing the year out, which greatly reduced the amount of client-prepared entries the auditors received after the start of the audit. However, there were still auditor-identified journal entries during the audit. The majority of these entries that were identified during the audit are the same entries that are identified each year. The majority 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 the allowance for penalties and interest for DTR, depreciation of parks assets, accounts payable and expense, grant revenue, and allowance for chargebacks identified above, which were determined by management to be insignificant to the financial statements. The amounts were not material.</p>

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2016

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2016-001 (Cont.)	<p>Recommendation - The County should continue to work with all departments to ensure everyone is following the new processes and procedures that the controller's department implemented in the current year and also ensure that all appropriate journal entries are made for these types of entries and independently reviewed prior to the start of the audit.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The County continues its goal to present the auditors with the County's financial statements, which include all necessary adjustments prior to the commencement of the annual audit. We continue to experience turnover in staff, but at the same time benefit from office reorganization and improved policy and procedures. We are confident we will continue to see improvement and ultimately provide accurate and timely financial data prior to the start of the audit.</p>
Reference Number	Finding
2016-002	<p>Finding Type - Material weakness</p> <p>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.</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 identify unauthorized changes to the system.</p>

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2016

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2016-002 (Cont.)	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 the fiscal year ending September 30, 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 systems 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 the employee's personnel file.

Reference Number	Finding
2016-003	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 2016 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 for the Delinquent Tax Revolving (DTR) fund required adjustments as there were items listed as reconciling items on the reconciliation that were not truly reconciling items. Context - At the beginning of the fiscal year, the County was working through complex issues with the pooled cash bank reconciliations. As a result, once those complex issues were resolved, the remaining bank reconciliations for the fiscal year were completed when feasibly possible but were not completed in a timely manner. Once the DTR bank reconciliation was given to the auditors, there was a substantial change that needed to be made to the reconciliation. Without this correction, the financial statements would have been misstated.

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2016

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2016-003 (Cont.)	<p>Cause - The bank reconciliation process for the September 2016 bank reconciliation, along with other bank reconciliations, was not timely. There were complex issues at the beginning of the fiscal year that had to be addressed prior to completion of the bank reconciliations for the following months. There were also reconciling items from prior months that had been carried forward instead of getting cleaned up in the month in which they were realized, so this involved additional research to realize those items in the current fiscal year.</p> <p>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.</p> <p>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.</p> <p>Views of Responsible Officials and Planned Corrective Actions - This is a repeat finding in which new training, policies, and procedures were put into place during the fiscal year. We have experienced improvement from last fiscal year but we are still adapting and adjusting to the procedures. We continue to make improvements to prepare bank reconciliations in a timely manner and verify accuracy of reconciling items.</p>

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2016

Section III - Federal Program Audit Findings

Reference Number	Finding
2016-004	<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 - 25000-1010-C, 2016</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material weakness and material noncompliance with laws and regulations</p> <p>Repeat Finding - Yes; 2015-006</p> <p>Criteria - Per the grant agreement, the entity is required to recertify 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 36 lacked documentation for recertification. However, based on our testing, we noted no individuals who were ineligible under the grant requirements, thereby creating no questioned costs.</p> <p>Cause and Effect - The database system is supposed to print out recertification applications when a participant in the program is due for recertification. The drivers and office staff should be reviewing this database monthly as the participant 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>

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2016

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2016-004 (Cont.)	<p>Views of Responsible Officials and Planned Corrective Actions - In the cases wherein the participants coming in the storefront were in need of full recertification (infrequent in nature) 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>
2016-005	<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 - 25000-1010-C, 2016</p> <p>Pass-through Entity - Michigan Department of Education</p> <p>Finding Type - Material weakness and material noncompliance with laws and regulations</p> <p>Repeat Finding - No</p> <p>Criteria - 2 CFR Part 200.308 states that "recipients are required to report deviations from budget or project scope or objective and request prior approvals from Federal awarding agencies for budget and program plan revisions."</p> <p>Condition - The County erroneously charged expenditures to the grants that were not properly budgeted for and, therefore, did not have prior approval from the federal awarding agency.</p> <p>Questioned Costs - \$12,618</p> <p>Identification of How Questioned Costs Were Computed - The amount of expenditures charged to the grant that were above the amounts budgeted.</p> <p>Context - There were expenses of \$12,618 charged to the grant that were over and above the amount authorized by the grantor in the budgets.</p>

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2016

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2016-005 (Cont.)	<p>Cause and Effect - Due to a weakness in the review procedures over the costs charged to the grant, expenditures were spent over what was approved in the budget for the grant.</p> <p>Recommendation - The County should implement a more stringent review process over budgeting and costs to ensure all expenditures are properly approved before charging to the grant.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The County has hired additional staff to monitor program expenditures and budgets for all grants. Staff has been trained to monitor expenditures charged to the appropriate grants, and utilize a special tracking form/reports to project the fiscal year to date expenditures vs the budgets. Any identified negative variances will be reviewed by management and if needed a request to the grantor will be promptly secured before incurring any additional costs.</p>
2016-006	<p>CFDA Number, Federal Agency, and Program Name - CFDA #14.218, Housing and Urban Development (HUD), Community Development Block Grant Entitlement Cluster, Community Development Block Grant Program (CDBG).</p> <p>Federal Award Identification Number and Year - N/A</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 - Per 2 CFR 200.331, <i>Requirements for Pass-through Entities</i>, paragraph (6) (b), evaluate each subrecipient's risk of noncompliance with federal statutes, regulations, and the terms and conditions of the subaward for the purpose of determining the appropriate subrecipient monitoring described in paragraphs (d) and (e) of this section.</p> <p>Condition - The County did not have a subrecipient risk assessment policy in place to determine the level of subrecipient monitoring to be performed.</p> <p>Questioned Costs - N/A</p>

Genesee County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2016

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2016-006 (Cont.)	<p>Identification of How Questioned Costs Were Computed - N/A</p> <p>Context - During fiscal year 2016, the County passed through CDBG funds to 21 subrecipients. The County did not perform the required risk assessments to determine the level of monitoring to perform for each subrecipient.</p> <p>Cause and Effect - The County did not perform required risk assessments and as a result, there was no evidence that an adequate level of monitoring was performed based on the risks associated with the subrecipients.</p> <p>Recommendation - We recommend that the County implement a subrecipient risk assessment policy to determine the level of subrecipient monitoring to be performed for each subrecipient.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The County will review its policies surrounding its subrecipients and the monitoring of their compliance with 2 CFR 200. The County has developed a process for documenting monitoring and risk assessment activities done and will ensure that the document is updated on an annual basis and retained in the subrecipients file.</p>