

Macomb County, Michigan

**Federal Awards
Supplemental Information
December 31, 2014**

Macomb County, Michigan

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Report on Schedule of Expenditures of Federal Awards
Required by OMB Circular A-133
Independent Auditor's Report

To the Board of Commissioners
Macomb 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 Macomb County, Michigan (the "County") as of and for the year ended December 31, 2014 and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 29, 2015 which contained unmodified opinions on those basic 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 June 29, 2015.

The accompanying schedule of expenditures of federal awards is 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 is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 29, 2015

Report on Internal Control Over Financial Reporting and on Compliance
and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards*

Independent Auditor's Report

To Management and the
Board of Commissioners
Macomb 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 Macomb County, Michigan (the "County") as of and for the year ended December 31, 2014 and related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 29, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Macomb 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 and other deficiencies that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. See findings 2014-001 and 2014-003.

To Management and the
Board of Commissioners
Macomb County, Michigan

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency. See finding 2014-002.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Macomb 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*.

Macomb County, Michigan's Response to Finding

Macomb County, Michigan's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Macomb County, Michigan's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

June 29, 2015

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

To the Board of Commissioners
Macomb County, Michigan

Report on Compliance for Each Major Federal Program

We have audited Macomb County, Michigan's 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 December 31, 2014. Macomb 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 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 Macomb 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 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 Macomb 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 Macomb County, Michigan's compliance.

To the Board of Commissioners
Macomb County, Michigan

Opinion on Each Major Federal Program

In our opinion, Macomb 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 December 31, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-004, 2014-005, and 2014-006. Our opinion on each major federal program is not modified with respect to these matters.

Macomb County, Michigan's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Macomb 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 Macomb 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 Macomb County, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed 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 Board of Commissioners
Macomb 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 2014-004, 2014-005, and 2014-006 to be material weaknesses.

Macomb County, Michigan's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. Macomb 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 29, 2015

Macomb County, Michigan

Schedule of Expenditures of Federal Awards December 31, 2014

Federal Agency/Pass-through Entity/Program Title	Federal CFDA Number		Federal Expenditures
U.S. Department of Agriculture:			
Passed Through State Department of Community Health:			
WIC - Special Supplemental Nutrition for Infants and Children	10.557		\$ 1,719,628
WIC - Breastfeeding Peer Counselor	10.557		46,790
Passed Through State Department of Education:			
Head Start - Children Meals Program	10.558		453,688
National School Lunch - After School Snack	10.555	(1)	17,066
National School Breakfast	10.553	(1)	58,777
National School Lunch	10.555	(1)	93,615
USDA Commodities - Food Donations	10.555	(1)	20,172
TEFAP Surplus Food Distribution Emergency Food Assist. - Admin	10.568	(2)	159,476
TEFAP - Commodities	10.569	(2)	670,430
Passed Through Workforce Development Agency - State of Michigan:			
Food Assistance and Employment Training - Operations	10.561	(3)	154,636
Food Assistance and Employment Training - Support Services	10.561	(3)	42
Total U.S. Department of Agriculture			3,394,320
National Oceanic and Atmospheric Administration -			
Direct Program -			
Clinton River Spillway Habitat Restoration Planning and Design	11.463		1,067
Total National Oceanic and Atmospheric Administration			1,067
U.S. Department of HUD:			
Direct Programs:			
Emergency Solutions Grant (E-13-UC-26-0005)	14.231		6,222
Neighborhood Stabilization Program-3 (B-11-UN-26-0003)	14.218	(4)	21,419
Community Development Block Grant (B-12-UC-26-0005)	14.218	(4)	683,183
Community Development Block Grant (B-13-UC-26-0005)	14.218	(4)	523,045
HUD Homeless	14.235		27,145
Home Investment Partnership # M-11-DC-26-0209	14.239		634,854
Home Investment Partnership # M-010-DC-26-0209	14.239		707,829
Home Investment Partnership # M-09-DC-26-0209	14.239		45,132
Hud Grants Passed Through Other Than State -			
CSA Chore Services - Cities	14.218	(4)	104,872
Total U.S. Department of HUD			2,753,701
U.S. Department of Justice:			
Direct Programs:			
Drug Forfeitures	16.922		668,664
JAG #2012-DJ-BX-0275	16.738	(5)	17,420
JAG #2011-DJ-BX-2601	16.738	(5)	8,033
JAG #2013-DJ-BX-0113	16.738	(5)	16,880
2010 COPS Technology Grant	16.710		284,891
Passed Through Michigan Department of Human Services -			
Juvenile Accountability Incentive Block Grant	16.523		13,835
Passed Through Department Of State Police:			
Anti-Drug Abuse	16.738	(5)	47,568
Street Level Enforcement Team	16.738	(5)	30,780
Passed Through Michigan Department of Community Health -			
Domestic Violence Victim Advocate	16.575		154,437
Total U.S. Department of Justice			1,242,508

See Notes to Schedule of Expenditures
of Federal Awards.

Macomb County, Michigan

Schedule of Expenditures of Federal Awards (Continued) December 31, 2014

Federal Agency/Pass-through Entity/Program Title	Federal CFDA Number		Federal Expenditures
U.S. Department of Labor:			
Passed Through Workforce Development Agency - State of Michigan:			
Wagner - Peyser - 7A - Employment Services	17.207	(6)	\$ 1,997,149
Workforce Investment Act - Adult	17.258	(7)	3,032,060
Workforce Investment Act - Dislocated Workers	17.278	(7)	2,683,783
Workforce Investment Act - Youth	17.259	(7)	2,885,931
WIA - Dislocated Workers Training NEG #2619	17.277		140,261
Joint Adjustment Committee - Syncreon Sterling Heights	17.278	(7)	5,487
Trade Adjustment Assistance - Case Management 2009/2011	17.245		766,523
WIA Statewide Activities - Mich Works Services Center	17.258	(7)	26,657
WIA Statewide Activities - Mich Works Services Center	17.259	(7)	28,585
WIA Statewide Activities - Mich Works Services Center	17.278	(7)	28,585
WIA Statewide - Capacity Building	17.258	(7)	31,304
WIA Statewide - Capacity Building	17.259	(7)	33,476
WIA Statewide - Capacity Building	17.278	(7)	33,970
Trade Adjustment Assistance	17.245		1,077,478
WIA - Local Admin	17.258	(7)	310,490
WIA - Local Admin	17.259	(7)	180,000
WIA - Local Admin	17.278	(7)	291,595
Emergency Unemployment Compensation	17.225		308,418
WIA DW NEG -OJT	17.277		245,883
Trade Adjustment Assistance - 2002	17.245		515,356
Passed Through State Office of Services to the Aging - Senior Comm Service Employment Program	17.235		668,640
Direct Programs:			
Job Innovation Accelerator Challenge	17.268		328,268
Job Accelerator - Make it in America Challenge	17.268		27,765
Total U.S. Department of Labor			15,647,664
U.S. Department of Transportation:			
Passed Through Department of State Police:			
Drive Michigan Safety Task Force PT-12-14	20.600	(8)	165,039
Hazardous Materials Emergency Preparedness	20.703		14,187
Passed Through Department of Transportation - Highway Planning and Construction Cluster	20.205	(9)	2,772,034
Total U.S. Department of Transportation			2,951,260
U.S. Department of Veterans Affairs -			
Passed Through Community Action Partnership - Supportive Services for Veterans Families	64.033		290,464
Total U.S. Department of Veterans Affairs			290,464
U.S. Environmental Protection Agency:			
Passed Through Michigan Department of Environmental Protection Agency (EPA):			
State Clean Water Revolving Fund Loan #5540-01	66.458	(10)	418,160
Non-Community (TYPE II) Water Supply Requirements	66.471		2,188
State Clean Water Revolving Fund Loan #5487-01	66.458	(10)	284,491
Direct Programs:			
Brownfield Revolving Loan Grant	66.818		11,257
Lake St. Clair Coastal Marshland Restoration	66.469		51,537
Total U.S. Environmental Protection Agency			767,633

See Notes to Schedule of Expenditures
of Federal Awards.

Macomb County, Michigan

Schedule of Expenditures of Federal Awards (Continued) December 31, 2014

Federal Agency/Pass-through Entity/Program Title	Federal CFDA Number	Federal Expenditures
U. S. Department of Energy -		
Passed Through Michigan Department of Human Services:		
Weatherization	81.042	\$ 553,584
LIHEAP	81.042	354,037
		907,621
Total U.S. Department of Energy		
U.S. Department of Health and Human Services:		
Direct Program -		
Head Start	93.600	6,461,187
Passed Through Area Agency on Aging I-B:		
Senior Citizen Chore Services	93.044 (11)	93,548
Title III Outreach/Resource Advocacy	93.044 (11)	71,379
Home Injury Control	93.044 (11)	17,701
Evidence Based Disease Prevention/Health Promotion	93.043	12,000
Congregate Nutrition Programs	93.045 (11)	248,486
Home Delivered Meals	93.045 (11)	927,067
Home Delivered Meals - NSIP	93.053 (11)	281,115
Congregate Nutrition Program - NSIP	93.053 (11)	63,636
Dementia Adult Day Services	93.044 (11)	20,864
Medicaid Waiver Payments	93.044 (11)	369
Creating Confident Caregivers	93.051	100
Passed Through State Department of Community Health:		
MITURN Homeless Project	93.150	60,962
Bioterrorism - Focus A Program #1590	93.069	226,736
Sexually Transmitted Disease, STD Control	93.991	14,669
Macomb Homeless Project - (PATH)	93.150	35,444
West Nile Community Surveillance	93.521	6,000
Detroit Metro Learning Collaborative	93.994	5,000
Family Planning - General Services	93.217	118,945
Immunizations - IAP	93.268	332,247
Cities Readiness Initiative	93.069	145,735
AIDS/HIV Prevention	93.940	118,256
Integrated Healthcare	93.958	139,896
Local Mch Program - Family Planning	93.994	220,812
Medicaid Outreach Activities Reimbursement	93.778 (12)	64,037
Alcohol/Drug Abuse Mental Health Block Grant	93.959	3,238,989
OBRA Assessment	93.778 (12)	359,559
Fetal Infant Mortality Review	93.994	3,579
FDA Tobacco Retailer Inspections	93.058	2,521
Adjusted Value of Federally Funded Vaccines	93.268	1,281,394
CSHCS Outreach Advocacy	93.778 (12)	113,000
Passed Through Michigan Department of Human Services:		
Cooperative Reimbursement Program-Incentive	93.563	1,069,934
Prosecuting Atty-Child Support Enforcement	93.563	777,869
Friend of the Court - IV D Program	93.563	4,757,092
CAA Administration	93.569	224,252
General Community Programming	93.569	852,090
LIHEAP-LCA Deliverable Fuels	93.568	21,105
CSBG - Discretionary	93.569	41,828
Passed Through Workforce Development Agency - State of Michigan:		
Workfirst TANF - PATH (formerly JET)	93.558 (13)	4,507,271
Workfirst TANF - JET - Supportive Services	93.558 (13)	25,000
DHS Chafee Funding Foster Care Summer	93.674	94,579
TANF - Refugee	93.558 (13)	305,991
SYEP Supportive Services	93.558 (13)	3,812
Passed Through State Court Administrative Office -		
Access And Visitation Grant	93.597	12,188
Passed Through Nat'l Assoc. of County & City Health Officials (NACCHO):		
NACCHO Challenge Award	93.008	2,208
NACCHO Capacity Builder Award	93.008	3,500
		27,383,952
Total U.S. Department of Health And Human Services		

See Notes to Schedule of Expenditures
of Federal Awards.

Macomb County, Michigan

Schedule of Expenditures of Federal Awards (Continued) December 31, 2014

Federal Agency/Pass-through Entity/Program Title	Federal CFDA Number	Federal Expenditures
Office of National Drug Control Policy - Michigan Department of State Police - High Intensity Drug Trafficking Area Program (HIDTA)	95.001	\$ 81,325
Total Office of National Drug Control Policy		81,325
U.S. Department of Homeland Security: Direct Programs - Port Security Grant	97.056	640,654
Passed Through Michigan Department of State Police: Emergency Management Performance Grant - 2014	97.042	48,443
Emergency Management Performance Grant - 2013	97.042	5,042
Emergency Management Performance Grant - 2012	97.042	7,946
2013 Operation Stonegarden	97.067	49,897
2012 Operation Stonegarden	97.067	99,410
2011 Homeland Security Grant - SHSP	97.067	381,130
2011 Homeland Security Grant - UASI	97.067	4,408,896
2011 Homeland Security - Operation Stonegarden	97.067	70,495
2011 Homeland Security - Citizens Corps Prgm	97.067	56,930
2012 Homeland Security Grant - SHSP	97.067	206,489
2012 Homeland Security Grant - UASI	97.067	3,311,164
2013 Homeland Security Grant - SHSP	97.067	119,245
2013 Homeland Security Grant - UASI	97.067	1,754,151
Passed Through United Way - Emergency Food and Shelter	97.024	162,245
Total U.S. Department of Homeland Security		11,322,137
TOTAL FEDERAL FINANCIAL ASSISTANCE		<u>\$ 66,743,652</u>

- (1) Denotes the Child Nutrition Cluster
- (2) Denotes the Food Distribution Cluster
- (3) Denotes the Supplemental Nutrition Assistance Program (SNAP) Cluster
- (4) Denotes the Community Development Block Grant (CDBG) Entitlement Cluster
- (5) Denotes the Justice Assistance Grant (JAG) Cluster
- (6) Denotes the Employment Services Cluster
- (7) Denotes the Workforce Investment Act (WIA) Cluster
- (8) Denotes the Highway Safety Cluster
- (9) Denotes the Highway Planning and Construction Cluster
- (10) Denotes the Clean Water State Revolving Fund Cluster
- (11) Denotes the Aging Cluster
- (12) Denotes the Medicaid Cluster
- (13) Denotes the Temporary Assistance for Needy Families (TANF) Cluster

Macomb County, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2014

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Macomb County, Michigan under programs of the federal government for the year ended December 31, 2014. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

Note 2 - Noncash Assistance

The value of the noncash assistance received was determined in accordance with the provisions of OMB Circular A-133.

Summary of Noncash Assistance - The grantee received the following noncash assistance during the year ended December 31, 2014 that is included on the schedule of expenditures of federal awards:

<u>Federal Program</u>	<u>CFDA Number</u>	<u>Description</u>	<u>Amount</u>
USDA Commodities (Food Donations)	10.555	Food donations	\$ 20,172
TEFAP Commodities	10.569	Food donations	<u>670,430</u>
		Total	<u>\$ 690,602</u>

Macomb County, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2014

Note 3 - Subrecipient Awards

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

<u>Federal Program Title</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Food Assistance & Employment Training	10.561	\$ 139,159
Community Development Block Grant Entitlement Cluster	14.218	1,091,766
Workforce Investment Cluster	17.258/17.259/17.278	1,714,172
Highway Planning and Construction Cluster	20.205	3,558
Drive Michigan Safety Task Force	20.600	130,527
Alcohol/Drug Abuse Mental Health Block Grant TANF Cluster	93.959	2,596,671
	93.558	842,817
DHS Chafee Funding Foster Care Summer	93.674	46,741
Homeland Security Cluster	97.067	4,876,468
Total		<u>\$ 11,441,879</u>

Macomb County, Michigan

Schedule of Findings and Questioned Costs Year Ended December 31, 2014

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
14.218	Community Development Block Grant (CDBG) Cluster
17.258, 17.259, 17.278	Workforce Investment Act (WIA) Cluster
93.558	Temporary Assistance for Needy Families (TANF) Cluster
93.563	Child Support Enforcement
93.959	Block Grants for Prevention and Treatment of Substance Abuse
97.067	Homeland Security Grant Program
93.600	Headstart

Dollar threshold used to distinguish between type A and type B programs: \$2,002,310

Auditee qualified as low-risk auditee? Yes No

Macomb County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2014

Section II - Financial Statement Audit Findings

Reference
Number

Finding

2014-001 **Finding Type** - Material Weakness

Criteria - In order to protect against unintentional or intentional corruption or loss of data, the County should have appropriate controls over information technology.

Condition - There was no documentation retained for user access changes or user access terminations for individuals within the Finance Department. Additionally, certain individuals with administrative access also had the ability to post journal entries in Information Consulting Solutions (the financial accounting system used by the Drainage District component unit) for the first several months of the year under audit. Last, certain key environmental controls were not present such as flood protection and backup generator power were not present surrounding the Drainage District system.

Context - An appropriate system of internal controls over information technology helps to ensure the integrity of data and protect it from unintentional or intentional misstatements, in addition to aiding in the operational efficiency of the County.

Cause - Appropriate controls were not in place in these two systems for a majority of the year to sufficiently address segregation of duties and environmental controls.

Effect - Lack of appropriate controls could result in loss of data, business interruption, or manipulation of financial statement data resulting in potentially material errors in the financial statements.

Recommendation - We recommend that the County and Drainage District implement environmental controls to mitigate the risk of data loss due to hardware damage or malfunction. We also recommend that the County and Drainage District limit those with administrative access to the system from the ability to post journal entries to the financial records. Finally, we recommend that the County and Drainage District institute a system of periodic review of IT controls, including segregation of duties, environmental controls, and backup systems in order to provide appropriate safeguards over data.

Views of Responsible Officials and Planned Corrective Actions - The items identified above pertaining to the County's system were identified and corrected during the course of the 2014 audit. The items pertaining to the Drainage District were corrected subsequent to the 2013 audit, which did not conclude until June 2014.

Macomb County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2014

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2014-002	<p>Finding Type - Significant Deficiency</p> <p>Criteria - GAAP requires all expenditures and expenses to be recorded in the various funds at the time they are incurred. To the extent that such items are not paid before year end, an accounts payable liability should be recorded.</p> <p>Condition - The County's procedures to record accounts payable in the Drainage District did not consistently identify unpaid obligations at year end.</p> <p>Context - Some of the items were for service periods that crossed over the year end, in which case an allocation of the expense to accounts payable would be required. The net impact of the errors identified would result in an increase of expenses of approximately \$483,000.</p> <p>Cause - Lack of an effective review of services performed before year end and invoices received after year end to ensure that all significant items have been recorded in the appropriate period.</p> <p>Effect - At year end, the County's liabilities for the Drainage District were understated by the amount of unrecorded accounts payable items. The lack of an effective review could result in potentially significant errors in the financial statements.</p> <p>Recommendation - We recommend that the Drainage District perform a more detailed search for unrecorded liabilities at year end.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Methods of review were put in place in the Finance Department in prior years to enhance and strengthen year-end accounts payable cutoff procedures and the review of other potential unrecorded liabilities at year end. This included notifications to departments as well as review by finance staff of documents sent to the finance department for processing. The item listed above pertained to a component unit that is responsible for entering its own accounts payable and retaining all documents. Management of the Finance Department will again discuss this issue with the staff of the component unit and stress the importance of performing a detailed search of unrecorded liabilities at year end.</p>

Macomb County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2014

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2014-003	<p>Finding Type - Material Weakness</p> <p>Criteria - The County is required to capitalize costs incurred by others associated with developing or improving roads that are the responsibility of the County to maintain.</p> <p>Condition - During the year, the County identified donated road mileage that had not been previously capitalized on the County's balance sheet.</p> <p>Context - The adjustment to record the net book value of these previously donated roads was approximately \$31 million, and resulted in a prior period adjustment to the County's financial statements.</p> <p>Cause - Prior methods of determining local road mileage did not identify all roads. The mileage was identified during a County-initiated inventory of its local roads using improved technological procedures.</p> <p>Effect - The unusual nature of this situation gave rise to the understatement of government-wide infrastructure at the onset of the financial statement audit.</p> <p>Recommendation - We recommend that the County review its controls for ensuring that donated roads are captured in the County's financial records at the time the assets are conveyed to the County.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The item above was identified as a result of a County-initiated review of its infrastructure. Through discussion with the impacted departments, the controls in place are sufficient to capture the year-to-year donated roads. The adjustment above is anticipated to be a one-time occurrence in the current year.</p>

Macomb County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2014

Section III - Federal Program Audit Findings

Reference Number	Finding
2014-004	<p>Program Name - Block Grants for Prevention and Treatment of Substance Abuse (CFDA 93.959)</p> <p>Pass-through Entity - Michigan Department of Community Health</p> <p>Finding Type - Material Weakness and Material Noncompliance with Laws and Regulations</p> <p>Criteria - According to OMB Circular A-87, where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semiannually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.</p> <p>Condition - The employees that charge time to the block grants spend 100 percent of their time on this award, and during the year, the County did not obtain and retain certifications from these individuals. The semiannual certifications were signed by the nine individuals after this was brought to the notice of the program administrator, resulting in no questioned costs.</p> <p>Questioned Costs - None</p> <p>Context - Nine individuals work solely on this grant and the semi-annual certifications were not completed for any of the nine individuals.</p> <p>Cause and Effect - The County did not have controls in place to ensure that certifications were prepared at least semiannually.</p> <p>Recommendation - The County should implement controls to ensure that payroll certifications for employees who spend 100 percent of their time on child support activities are performed at least semiannually.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The department has been notified of this requirement to assure certifications are prepared at least semiannually and signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.</p>

Macomb County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2014

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2014-005	<p>Program Name - Workforce Investment Act (CFDA 17.258, 17.259, and 17.278), Temporary Assistance for Needy Families (CFDA 93.558), DHS Foster Care (CFDA 93.674), Trade Adjustment Assistance (CFDA 17.245), Senior-Community Service Employment Program (CFDA 17.235), WIA DW NEG - OJT (CFDA 17.277), Wagner Peyser Employment Services Cluster (CFDA 17.207), and Food Assistance and Employment Training (CFDA 10.561)</p> <p>Pass-through Entity - Workforce Development Agency - State of Michigan, State Office of Services to Aging</p> <p>Finding Type - Material Weakness and Material Noncompliance with Laws and Regulations</p> <p>Criteria - Per Circular A-87 Attachment D, indirect cost proposals must be developed (and, when required, submitted) within six months after the close of the governmental unit's fiscal year, unless an exception is approved by the cognizant federal agency. If the proposed central service cost allocation plan for the same period has not been approved by that time, the indirect cost proposal may be prepared including an amount for central services that is based on the latest federally approved central service cost allocation plan. The difference between these central service amounts and the amounts ultimately approved will be compensated for by an adjustment in a subsequent period.</p> <p>Additionally, the State monitored the program and stated that per 2 CFR part 230, Appendix A, A.4.a "to be allowable under an award, costs must be reasonable for the performance of the award and be allocable thereto under these principles."</p> <p>Condition - The County used the incorrect indirect cost allocation plans to allocate indirect costs to the Workforce Development Board (WDB) grants for the period from July 1, 2013 through June 30, 2014.</p> <p>Questioned Costs - \$210,860 - questioned costs are for the Workforce Development Board's 2014 fiscal year (July 1, 2013 through June 30, 2014)</p>

Macomb County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2014

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2014-005 (Cont.)	<p>Context - The County's Workforce Development Board (WDB) reports on a fiscal year that is from July through June as compared to the County's calendar year (i.e., the County's calendar year 2014 includes WDB activity for fiscal year July 1, 2013 through June 30, 2014). The County's cost allocation plan is completed on a calendar year basis.</p> <p>For the period from July 1, 2013 through December 31, 2013, WDB should have allocated \$229,505 (half of the costs allocable for calendar year 2013 under the 2011 Maximus Plan).</p> <p>For the period from January 1, 2014 through June 30, 2014, WDB should have allocated \$57,632 (half of the costs allocable for calendar year 2014 under the 2012 Maximus Plan).</p> <p>As a result of using the incorrect cost allocation plan, WDB allocated a total of \$497,997 for fiscal year ended June 30, 2014 versus \$287,137 (\$229,505 + \$57,632) resulting in questioned costs of \$210,860, which were allocated between the seven programs managed by WDB.</p> <p>Cause and Effect - WDB did not utilize the appropriate cost allocation plans for the period from January 1, 2014 through June 30, 2014 (for WDB the SEFA reports the expenditures incurred during this period) resulting in questioned costs of \$210,860.</p> <p>Recommendation - The timing of when the cost allocation plans are completed and approved during WDB's fiscal year caused the issue. The County should identify this and ensure that they are in compliance by either using the appropriate cost allocation plan or changing the way costs are allocated to WDB.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The timing of the budget process versus the completion of each year's cost allocation plan necessitates using the plan from three years back for budgeting purposes each year. The County will begin charging actual amounts each year based on the cost allocation plan from two years prior.</p>

Macomb County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2014

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2014-006	<p>Program Name - Head Start (CFDA 93.600)</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Material Weakness and Material Noncompliance with Laws and Regulations</p> <p>Criteria - Per 2 CFR Part 225, in order to be an allowable cost, the cost must be reasonable. A cost is reasonable if, in its nature and amount, it does not exceed that which would be incurred by a prudent person under the circumstances prevailing at the time the decision was made to incur the cost. Related to matching, per 45 CFR Part 92.24, the federal agency may require the market value or fair rental value of real property to be set by an independent appraiser, and that the value or rate be certified by the grantee.</p> <p>Condition - During the 2013-2014 program year, the County recorded the value of nonfederal donated space for buildings using multiple valuation methods. These inconsistent methods are not reasonable. In addition, the valuations of the donated space were not established by an independent appraiser.</p> <p>Questioned Costs - Unknown</p> <p>Context - The grantee provided Head Start and Early Head Start services at 21 locations. The locations were not valued by a certified appraiser. Two of the donated spaces were calculated using inconsistent valuation methods.</p> <p>The County also received a notice of noncompliance findings from the Administration for Children & Families (a division of U.S. Department of HHS) following completion of their monitoring visit for the 2013-2014 program year regarding these issues.</p> <p>Cause and Effect - The County has not established a consistent method of valuing donated space using valuations provided by an independent appraiser.</p> <p>Recommendation - The County should value its donated space using a consistent and reasonable method that meets the federal agency's guidelines.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The County will solicit competitive bids for the services of a certified appraiser for the purpose of establishing proper space costs.</p>