

# **Livingston County, Michigan**

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**Federal Awards  
Supplemental Information  
December 31, 2012**

# Livingston 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  
Livingston County, Michigan

We have audited the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Livingston County, Michigan (the "County") as of and for the year ended December 31, 2012 and the related notes to the basic financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 10, 2013, which contained unqualified opinions on those basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited basic financial statements subsequent to June 10, 2013. We did not audit the financial statements of the Livingston County Road Commission, which represent 52, 69, and 76 percent of the assets, net position, and revenue, respectively, of the 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 Livingston County Road Commission, is based on the report of the other auditors.

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 basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Plante & Moran, PLLC*

Southfield, MI  
June 10, 2013



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 the Board of Commissioners  
Livingston 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 basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Livingston County, Michigan (the "County") as of and for the year ended December 31, 2012 and the related notes to the basic financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 10, 2013. Our report includes a reference to other auditors who audited the financial statements of Livingston County Road Commission, as described in our report on Livingston County, Michigan's basic financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of Livingston County Road Commission were not audited in accordance with *Government Auditing Standards*.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the basic financial statements, we considered Livingston County, Michigan's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; 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 the Board of Commissioners  
Livingston 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2012-01 and 2012-02 to be material weaknesses.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Livingston County, Michigan's basic financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Livingston County, Michigan's Responses to the Findings**

Livingston County, Michigan's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Livingston County, Michigan'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*

Southfield, MI  
June 10, 2013

Report on Compliance For Each Major Federal Program;  
Report on Internal Control Over Compliance

Independent Auditor's Report

To the Board of Commissioners  
Livingston County, Michigan

**Report on Compliance for Each Major Federal Program**

We have audited Livingston 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 December 31, 2012. Livingston 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 Livingston 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 Livingston 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 Livingston County, Michigan's compliance.

To the Board of Commissioners  
Livingston County, Michigan

### ***Opinion on Each Major Federal Program***

In our opinion, Livingston 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, 2012.

### ***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 2012-03, 2012-04, 2012-05, 2012-06, and 2012-07. Our opinion on each major federal program is not modified with respect to these matters.

Livingston County, Michigan's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and/or corrective action plan. Livingston County, Michigan's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

The management of Livingston 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 Livingston County, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, identified 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 other deficiencies that we consider to be significant deficiencies.

To the Board of Commissioners  
Livingston County, Michigan

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2012-03 and 2012-05 to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2012-04, 2012-06, and 2012-07 to be significant deficiencies.

Livingston 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. Livingston 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*

Southfield, MI  
June 10, 2013

# Livingston County, Michigan

## Schedule of Expenditures of Federal Awards Year Ended December 31, 2012

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
Clusters:		
WIA Cluster - U.S. Department of Labor - Passed through the Michigan		
Workforce Development Agency:		
WIA Adult - 6/30/11 program	17.258	\$ 399,164
WIA Youth - 6/30/11 program	17.259	309,002
WIA Youth - 6/30/12 program	17.259	42,199
WIA Dislocated Workers - 6/30/10 program	17.278	187,869
WIA Dislocated Workers - 6/30/11 program	17.278	432,135
WIA Statewide Activities - Capacity Building and Technical Assistance - 6/30/11 program	17.278	16,000
WIA Statewide Activities - Service Center Operations - AY10 program	17.278	37,084
WIA State Wide Activities - Jet Support - AY10 program	17.278	906
WIA State Wide Activities - Jet Support - AY11 program	17.278	7,981
WIA Statewide Activities - Performance - 6/30/11 program	17.278	7,858
WIA Adult Local Administration - 6/30/10 program	17.258	9,485
WIA Adult Local Administration - 6/30/11 program	17.258	46,048
WIA Adult Local Administration - 6/30/12 program	17.258	6,448
WIA Dislocated Worker Local Administration - 6/30/10 program	17.278	16,006
WIA Dislocated Worker Local Administration - 6/30/11 program	17.278	61,671
WIA Dislocated Worker Local Administration - 6/30/12 program	17.278	6,333
WIA Youth Local Administration - 6/30/10 program	17.259	10,346
WIA Youth Local Administration - 6/30/11 program	17.259	50,202
WIA Youth Local Administration - 6/30/12 program	17.259	6,838
ARRA - NEG Dislocated	17.260	<u>105,360</u>
Total WIA Cluster		1,758,935
Employment Service Cluster - U.S. Department of Labor - Passed through the Michigan		
Workforce Development Agency:		
Wagner-Peyser Act ES 7A - 6/30/11 program	17.207	132,238
Wagner-Peyser Act ES 7A - 6/30/12 program	17.207	<u>125,500</u>
Total Employment Service Cluster		257,738
Highway Safety Cluster - U.S. Department of Transportation - Passed through the Michigan Office of Highway Safety and Planning:		
Drive MI Safely - State and Community Highway Safety	20.600	9,279
Drive MI Safely - Alcohol Traffic Safety and Drunk Driving Prevention	20.601	<u>14,788</u>
Total Highway Safety Cluster		24,067
Federal Transit Cluster - U.S. Department of Transportation:		
Federal Section 5307 Operating Assistance - 2012	20.507	644,747
Federal Section 5307 Operating Assistance - 2013	20.507	274,653
Federal Section 5307 P/M - Capital Maintenance - 2011	20.507	18,855
Federal Section 5307 P/M - Capital Maintenance - 2012	20.507	117,564
Federal Section 5307 P/M - Capital Maintenance - 2013	20.507	101,207
Federal Section 5307 - Capital Assistance - 2012	20.507	3,807
Federal CMAQ Grant - 2011 (passed to subrecipient People's Express)	20.507	79,518
ARRA - Federal Section 5307 Capital Assistance	20.507	<u>64,330</u>
Total Federal Transit Cluster		1,304,681
Transit Services Program Cluster - U.S. Department of Transportation -		
Federal Section 5307 Operating Assistance - JARC - 2012	20.516	38,769
Immunization Cluster - U.S. Department of Health and Human Services - Passed through the State of Michigan Department of Community Health - B116:		
Immunizations - IAP	93.268	78,474
Immunizations - AFIX	93.268	4,950
Immunizations - VFC	93.268	<u>64,504</u>
Total Immunization Cluster		147,928

# Livingston County, Michigan

## Schedule of Expenditures of Federal Awards (Continued) Year Ended December 31, 2012

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
Clusters (Continued):		
Medicaid Cluster - U.S. Department of Health and Human Services - Passed through the State of Michigan Department of Community Health:		
Medicaid Outreach Activities	93.778	\$ 94,600
CSHCS Medicaid Outreach Activities	93.778	3,934
Medical Assistance Program	93.778	26,401
CSHCS - Care Coordination	93.778	<u>12,417</u>
Total Medicaid Cluster		137,352
TANF Cluster - U.S. Department of Health and Human Services - Passed through the Michigan Workforce Development Agency:		
TANF - Jet - 9/30/12 program	93.558	143,604
TANF - Jet - 9/30/13 program	93.558	<u>46,944</u>
Total TANF Cluster		190,548
CDBG - State Administered Small Cities Program Cluster - U.S. Department of Housing and Urban Development - Passed through the Michigan State Housing Development Authority - Community Development Block Grant/States Program (passed to subrecipient OLHSA)		
	14.228	95,840
JAG Program Cluster - U.S. Department of Justice - Passed through the Michigan State Court Administrative Office - Edward Byrne Memorial Justice Assistance Grant		
	16.738	49,259
SNAP Cluster - U.S. Department of Agriculture - Passed through the Michigan Workforce Development Agency:		
FY12 SAM Grants	10.561	7,346
FY13 SAM Grants	10.561	<u>133</u>
Total SNAP Cluster		7,479
U.S. Department of Labor - Passed through the Michigan Workforce Development Agency		
Wagner-Peyser Trade Adjustment Assistance - 9/30/12 program	17.245	495,597
Wagner-Peyser Trade Adjustment Assistance - 9/30/13 program	17.245	<u>74,909</u>
Subtotal for CFDA 17.245		570,506
RES/REA EUC Administration 2012	17.225	<u>103,122</u>
Total passed through the Michigan Workforce Development Agency		673,628
U.S. Department of Labor - Passed through Macomb - St. Clair Michigan Works		
H-1B Job Training Grants Aging Initiative	17.268	<u>10,864</u>
Total U.S. Department of Labor		684,492
U.S. Department of Agriculture - Passed through the State of Michigan Department of Health - Special Supplemental Food Program for Women, Infants, and Children		
	10.557	365,614
U.S. Department of Energy - ARRA - Energy Efficiency and Conservation Block Grant		
	81.128	172,018
U.S. Department of Health and Human Services - Passed through the State of Michigan Department of Community Health:		
Bioterrorism - Focus A, EPI & CRI	93.069	193,569
CSHCS- Outreach and Advocacy	93.994	24,999
CSHCS - Case Coordination	93.994	14,244
SIDS	93.994	1
Maternal and Child Health Services	93.994	<u>39,490</u>
Subtotal for CFDA 93.994		78,734
TB Control	93.116	100
ARRA - Tobacco Prevention and Wellness	93.723	<u>1,750</u>
Total passed through the Michigan Department of Community Health		274,153

# Livingston County, Michigan

## Schedule of Expenditures of Federal Awards (Continued) Year Ended December 31, 2012

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
Other federal awards (Continued):		
U.S. Department of Health and Human Services - Passed through the State of Michigan Department of Human Services:		
Child Support Enforcement - Cooperative Agreement	93.563	\$ 935,220
Child Support Enforcement - Cooperative Agreement Incentive	93.563	240,907
Family Support - Cooperative Agreement	93.563	<u>153,838</u>
Total passed through the Michigan Department of Human Services		<u>1,329,965</u>
Total passed through the U.S. Department of Health and Human Services		1,604,118
U.S. Department of Homeland Security - Passed through the Michigan State Police -		
Emergency Management Performance Grant (EMPG)	97.042	26,386
Homeland Security Grant Program	97.067	<u>305,533</u>
Total passed through the Michigan State Police		331,919
U.S. Department of Justice:		
Federal Equitable Share Funds	16.922	141,409
Supervised Visitation and Safe Exchange Grant Program	16.527	<u>100,595</u>
Total U.S. Department of Justice		242,004
U.S. Environmental Protection Agency - Passed through the Michigan Department of Environmental Quality:		
Noncommercial Water Supply Grant	66.471	8,061
Noncommercial Water Supply Grant	66.468	<u>300</u>
Total U.S. Environmental Protection Agency		<u>8,361</u>
Total federal awards		<u>\$ 7,421,122</u>

# Livingston County, Michigan

## Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2012

### 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 the Livingston County, Michigan under programs of the federal government for the year ended December 31, 2012. 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 Livingston County, Michigan, it is not intended to, and does not, present the financial position, changes in net assets, or cash flows, if applicable, of Livingston County, Michigan. Pass-through entity identifying numbers are presented where available.

### Note 2 - Subrecipient Awards

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

Federal Program Title	CFDA Number	Amount Provided to Subrecipients
Federal CMAQ Grant - 2011	20.507	\$ 79,518
Housing Development Authority - Community Development Block Grant/States Program	14.228	95,840
WIA Youth	17.259	286,087
Wagner Peyser Act ES 7(a)	17.207	170,680
RES/REA EUC Administration	17.225	81,124
Wagner-Peyser Trade Adjustment Assistance	17.245	23,918
WIA Dislocated Workers	17.278	143,533
WIA State Wide Activities - One Stop Operations	17.278	20,000
H-1B Job Training Grants Aging Initiative	17.268	4,189
ARRA NEG Dislocated Worker	17.260	6,894
TANF Jet	93.558	99,541
WIA Adult Program	17.258	140,059
Total		\$ 1,151,383

# Livingston County, Michigan

## Schedule of Findings and Questioned Costs Year Ended December 31, 2012

### Section I - Summary of Auditor's Results

#### Financial Statements

Type of auditor's report issued: Unqualified

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: Unqualified

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children
17.258, 17.259, 17.278	Workforce Investment Act Cluster
81.128	Energy Efficiency and Conservation Block
93.268	Immunization Cluster
93.563	Child Support Enforcement

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee?  Yes  No

# Livingston County, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

### Section II - Financial Statement Audit Findings

Reference Number	Finding
2012-01	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - Management should record all year-end closing entries in accordance with generally accepted accounting principles (GAAP) prior to the start of the audit.</p> <p><b>Condition</b> - Journal entries were required during the audit to ensure the financial statement presentation was in conformity with generally accepted accounting principles.</p> <p><b>Context</b> - The journal entries included adjustments for full-accrual presentation of the government-wide statements for deferred revenue, new long-term debt, fixed assets, retirement systems, net pension asset, and accounts receivables.</p> <p><b>Cause</b> - The County's inconsistency in applying internal controls for reviewing and preparing year-end journal entries was the underlying cause that required these journal entries to be posted.</p> <p><b>Effect</b> - Material auditor proposed journal entries were recorded.</p> <p><b>Recommendation</b> - The County should implement procedures to ensure that all appropriate journal entries for the areas listed above are made prior to the start of the audit.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The County concurs with the recommendation and will work toward putting a process in place to address the issue.</p>
2012-02	<p><b>Finding Type</b> - Material weakness</p> <p><b>Criteria</b> - OMB Circular A-133 requires that the schedule of expenditures of federal awards properly identifies all federally funded expenditures that occurred during the audit period.</p> <p><b>Condition</b> - The County's financial records cannot be used to prepare the SEFA and the SEFA cannot be fully reconciled to the reported federal revenues.</p> <p><b>Context</b> - The SEFA expenditures cannot be traced into the County's general ledger. We were able to materially reconcile the expenditures to the federal revenues (within \$5,808); however, they could not be fully reconciled.</p>

# Livingston County, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

### Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2012-02 (Continued)	<p><b>Cause</b> - The current tracking system for federal grant expenditures is handled through manually prepared spreadsheets. This manual tracking does not allow for a simple query into the general ledger to identify the expenses that are related to each grant program. Furthermore, the County must ask all of the various grant managers to provide the grant expenditures at year end for SEFA reporting. The detail is held in each grant manager's spreadsheet and is not tied directly to any general ledger accounts.</p> <p><b>Effect</b> - The grant expenditures cannot be traced to the general ledger because of this disconnect between the general ledger and the grant manager's manual tracking system. The County was ultimately able to reconcile the SEFA to the general ledger within \$5,808.</p> <p><b>Recommendation</b> - We recommend that the County track federal expenditures in a subaccount structure or use a transaction identifier that will easily identify transactions as federal expenditures. A report can be generated from the system that will give the federal expenditures by program instead of relying on the departments giving a federal expenditure amount to build the SEFA.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - We are underway with the implementation of a new Enterprise Resource Planning system, which, once rolled out, will allow for accurate SEFA preparation in the future. In the meantime, extra time and attention is being made to communicate with departments that received federal funds. The county administration has designated an employee to perform primary grant oversight and work with departments to educate staff on the importance of reconciling their financial status reports to the general ledger. The departments have provided FSRs and manual accounting spreadsheets that will help in the reconciling process and will be incorporated into the project ledger of the ERP system. We are working to get the proper accounting tools in place to ensure the County will not receive this finding again.</p>

# Livingston County, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

### Section III - Federal Program Audit Findings

Reference Number	Finding
2012-03	<p><b>Program Name</b> - Energy Efficiency Community Block Grant, CFDA # 81.128</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Material weakness and material noncompliance with laws and regulations</p> <p><b>Criteria</b> - Department of Energy EECBG Program Notice 10-013 states grantees should minimize the time elapsing between draw down and disbursement of funds, and that time period should not exceed 30 calendar days.</p> <p><b>Condition</b> - During the current fiscal year, the County received reimbursement from DOE approximately seven months prior to paying a vendor for which the draws were requested.</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - The County has an appropriate process in place to ensure that vendors are paid within guidelines for cash management. In one case, the County entered into a construction contract with a vendor that included a 10 percent retainage. The retainage was requested from the DOE seven months prior to the County paying the vendor. The County held the retainage as they were waiting for more documentation from the vendor.</p> <p><b>Cause and Effect</b> - The County did not follow the DOE guidelines for cash management, as there was a longer than acceptable lag between the time the County received the draw down and the payment to the vendor.</p> <p><b>Recommendation</b> - Internal control procedures that have been initiated should be followed for all cash management needs, including retainage amounts on construction contracts.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The county administration has designated an employee to perform primary grant oversight and work with departments to ensure grant guidelines are followed and to educate program staff on following the County's cash management procedures.</p>

# Livingston County, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2012-04	<p><b>Program Name</b> - Energy Efficiency Community Block Grant, CFDA # 81.128</p> <p><b>Pass-through Entity</b> - N/A</p> <p><b>Finding Type</b> - Significant deficiency and material noncompliance with laws and regulations</p> <p><b>Criteria</b> - Grant agreement requires federal financial reports to be submitted quarterly, detailing expenditures in the period as well as quarterly Section 1512 reports as grant is funded under the American Recovery and Reinvestment Act of 2009 (Recovery Act).</p> <p><b>Condition</b> - The County submitted quarterly reports; however, the amounts reported cannot be reconciled or traced to the underlying financial data recorded in the general ledger.</p> <p><b>Questioned Costs</b> - Unknown</p> <p><b>Context</b> - The quarterly status reports are utilized by the funding agency to be informed of grant expenditures in the quarter and to inform the public of the status of projects funded under the Recovery Act.</p> <p><b>Cause and Effect</b> - The County does not have adequate controls in place to ensure that the reports are in agreement with the financial data recorded in the general ledger.</p> <p><b>Recommendation</b> - The County should develop controls to reconcile between actual expenditures and what is reported to the funding agency.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The county administration has designated an employee to perform primary grant oversight and work with department program managers and educate them on the importance of adhering to grant financial reporting requirements and ensuring that all financial reports are reconciled to the general ledger before submission to the funding agency and other agencies as required by the grant.</p>

# Livingston County, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2012-05	<p><b>Program Name</b> - Immunization Grant, CFDA #93.268 and Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA #10.557</p> <p><b>Pass-through Entity</b> - State of Michigan Department of Community Health</p> <p><b>Finding Type</b> - Material weakness and material noncompliance with laws and regulations</p> <p><b>Criteria</b> - Grant agreements require financial status reports (FSRs) to be submitted quarterly detailing expenditures in the period.</p> <p><b>Condition</b> - The County submitted quarterly reports to the granting agency; however, the amounts reported cannot be reconciled or traced to the underlying financial data recorded in the general ledger.</p> <p><b>Questioned Costs</b> - Unknown</p> <p><b>Context</b> - The quarterly status reports are utilized by the funding agency to be informed of grant expenditures in the quarter.</p> <p><b>Cause and Effect</b> - The County does not have adequate controls in place to ensure that the FSR reporting is in agreement with the financial data recorded in the general ledger. These grants are housed in the Health Department at the County and in 2012, the Health Department suffered from reduced staffing for various reasons. The reduced staffing made it difficult to keep up with the reporting aspects of the grants. The situation is worsened by the lack of a grant-tracking module in the County's financial system.</p> <p><b>Recommendation</b> - The County should develop controls to reconcile between actual expenditures and what is reported to the funding agency.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - The Health Department hired a full-time employee to oversee all accounting and grant reporting duties. Financial status reporting to the granting agencies no longer occurs until financial data is reconciled with the County's general ledger. The implementation of the new ERP system will allow for grants to be recorded as needed in the project ledger and tied directly back to the general ledger, therefore aiding in the reconciliation process.</p>

# Livingston County, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2012-06	<p><b>Program Name</b> - Workforce Investment Act Cluster, CFDA #17.258/17.259/17.278</p> <p><b>Pass-through Entity</b> - Michigan Department of Energy, Labor and Economic Growth</p> <p><b>Finding Type</b> - Significant deficiency and material noncompliance with laws and regulations</p> <p><b>Criteria</b> - An individual needs to meet the definition of a dislocated worker, according to 29 USC 2801(9), to be eligible for the WIA Dislocated Workers grant.</p> <p><b>Condition</b> - An individual charged to the WIA Dislocated Workers grant did not meet the definition of a dislocated worker according to 29 USC 2801(9).</p> <p><b>Questioned Costs</b> - None</p> <p><b>Context</b> - 1 out of 25 participants tested was charged to the wrong grant, as they did not qualify for the WIA Dislocated Workers grant. There were a total of 305 participants during the year. Although the individual was not eligible for the WIA Dislocated Workers grant, they were eligible for the WIA Adult grant.</p> <p><b>Cause and Effect</b> - Internal control procedures over compliance covered under the eligibility requirements did not operate effectively. As a result, an individual was charged to the a grant they did not qualify for.</p> <p><b>Recommendation</b> - The County should ensure adequate internal control processes exist to comply with all eligibility requirements.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - We agree with the auditor's finding that the individual in question was not eligible for the grant in which she was enrolled. This occurred despite numerous internal controls designed to ensure that all participants are eligible for the programs in which they are enrolled. Currently, staff receives extensive training on participant eligibility and documentation requirements, and they have access to the Michigan Workforce Development Agency's (WDA) policies. A supervisor with extensive WIA experience reviews all eligibility determinations prior to enrollment. The WDA participant management information system contains edit checks, which prompt the case manager whenever the data as entered is inconsistent with an eligibility determination. Michigan Works! Administrative staff reviews a sampling of participant files several times per year, and files are also routinely reviewed by state monitors and auditors.</p>

# Livingston County, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2012-06 (Continued)	<p>In this case, the participant's replies during the intake interview led the case manager to believe that she did qualify as a dislocated worker, and these replies were recorded on the WIA intake form. However, documentation from the Unemployment Insurance Agency provided by the participant revealed that UIA denied her claim for UI benefits because she quit her job. Consequently, the participant should not have been enrolled as a dislocated worker because she was not eligible for UI. This documentation was apparently overlooked or misinterpreted by both the case manager and the supervisor.</p> <p>We will provide additional training to staff on WIA eligibility rules, and in particular the rules for dislocated workers which can be confusing. In addition, we will increase the sample size of files which Michigan Works! administrative staff reviews on an annual basis. Based on the number of participant files which are currently reviewed on an annual basis by all parties, including auditors, we believe this is an isolated case.</p>

Reference Number	Finding
2012-07	<p><b>Program Name</b> - Workforce Investment Act Cluster, CFDA #17.258/17.259/17.278</p> <p><b>Pass-through Entity</b> - Michigan Department of Energy, Labor and Economic Growth</p> <p><b>Finding Type</b> - Significant deficiency and material noncompliance with laws and regulations</p> <p><b>Criteria</b> - Expenditures charged to the grant should be allowable in accordance with the applicable grant laws and regulations.</p> <p><b>Condition</b> - The County charged one expenditure to the grant in which the service was not provided to the student and another expenditure was charged to the grant without proper supporting documentation.</p> <p><b>Questioned Costs</b> - \$150</p>

# Livingston County, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2012-07 (Continued)	<p><b>Context</b> - One of 25 expenditures tested was unallowable. The County approved an expenditure of \$150 charged to the grant relating to a student assessment without an invoice. Upon further investigation, we noted the student assessment did not occur. The grant expenditure that was approved without proper documentation was an allowable expense, as the County was able to obtain the proper support during our audit.</p> <p><b>Cause and Effect</b> - Internal control procedures over approval of expenditures charged to the grant did not operate effectively. As a result, an expenditure was paid even though no service was provided.</p> <p><b>Recommendation</b> - The County should ensure adequate internal control processes exist to comply with all allowable activities requirements.</p> <p><b>Views of Responsible Officials and Planned Corrective Actions</b> - We agree that a payment of \$150 was made in error. We processed an advance payment for counseling services which were not provided. The check was mailed directly to the vendor and the vendor cashed the check. When this issue was raised during the audit, we immediately notified the vendor in writing that the payment was an error. They agreed and refunded the \$150. The check has been deposited and credited to the appropriate grant.</p> <p>It is extremely unusual for us to approve supportive services payments in advance of service delivery, and our review of the circumstances showed that there was no reason to approve the payment in this case. Our training contractor thought they were requesting an authorization for support services (purchase order), but they submitted the request on a form that we use to authorize reimbursements. We processed the request, even though there was no documentation to support that either an advance was justified or that the service was performed. There clearly was a breakdown of a number of administrative processes. We will provide additional training to contractor and administrative staff on our current processes and procedures. We will also review our forms, policies and processes and revise them as necessary to clarify the rare circumstances when advance payments are permitted, and to ensure that there is proper documentation on file to justify the request and to verify that the services were actually delivered.</p>

# Livingston County, Michigan

## Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2012

### Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2012-07 (Continued)	We do not fully agree that another expenditure was charged to the grant without proper documentation. In this case, a participant requested reimbursement for a book required for an authorized class. The book was not available at the college bookstore which normally handles our authorizations, so the participant purchased the book at another store and requested reimbursement. We do agree that the documentation submitted with the invoice was inadequate. However, additional documentation available in the participant's file confirmed the name of the book, the bookstore, the class, and the cost. While this documentation should have been attached to the invoice, our records show that the reimbursement payment made to the participant was reasonable, necessary, and documented in the case file. We will review the invoice documentation requirements with appropriate staff so that proper documentation is attached to the invoice.

# Livingston County, Michigan

## Summary Schedule of Prior Audit Findings Year Ended December 31, 2012

Prior Year Finding Number	Federal Program	Original Finding Description	Status	Planned Corrective Action
2011-2	Immunization Grant, CFDA#93.268 and Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA#10.577	The County submitted quarterly reports to the granting agency that could not be reconciled or traced to the underlying financial data.	Uncorrected	Audit finding 2012-05
2011-3	Schedule of Expenditures of Federal Awards (SEFA)	The County's financial records cannot be traced into the County's general ledger.	Uncorrected	Audit finding 2012-02
2011-4	Community Development Block Grant, CFDA#14.228	The County did not obtain support from OLHSA (subrecipient) that they provided matching funds per the grant agreement.	Corrected	N/A