

Livingston County, Michigan

**Federal Awards
Supplemental Information
December 31, 2013**

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 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, 2013 and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 20, 2014, which contained unmodified 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 financial statements subsequent to June 20, 2014. We did not audit the financial statements of the Livingston County Road Commission, which represent 56 percent, 71 percent, and 83 percent of the assets, net position, respectively, and revenues 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 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 basic financial statements as a whole.

Plante & Moran, PLLC

June 20, 2014

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

Independent Auditor's Report

To Management and the Board of Commissioners
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 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 20, 2014. 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 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 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 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2013-001, 2013-002, and 2013-003 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Livingston 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*.

Livingston County, Michigan's Responses to 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

June 20, 2014

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, 2013. 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

Basis for Qualified Opinion on CFDA No. 20.507, Federal Transit Cluster (Includes ARRA funding)

As described in the accompanying schedule of findings and questioned costs, Livingston County, Michigan did not comply with requirements regarding the following:

<u>Finding #</u>	<u>CFDA #</u>	<u>Program (or Cluster) Name</u>	<u>Compliance Requirement</u>
2013-004	20.507	Federal Transit Cluster	Allowable Costs/Cost Principles
2013-005	20.507	Federal Transit Cluster	Program Income and Cash Management

Compliance with such requirements is necessary, in our opinion, for Livingston County, Michigan to comply with the requirements applicable to that program.

Qualified Opinion on CFDA No. 20.507, Federal Transit Cluster (Includes ARRA Funding)

In our opinion, except for the noncompliance described in the *Basis for Qualified Opinion* paragraph, 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 CFDA No. 20.507, Federal Transit Cluster for the year ended December 31, 2013.

Unmodified Opinion on Each of the Other Major Federal Programs

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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2013.

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 2013-006, 2013-007, and 2013-008. Our opinion on each major federal program is not modified with respect to these matters.

Report on Internal Control Over Compliance

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.

To the Board of Commissioners
Livingston County, Michigan

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2013-004, 2013-005, and 2013-008 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 2013-006, 2013-007, and 2013-009 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 the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing, based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Plante & Moran, PLLC

June 20, 2014

Livingston County, Michigan

Schedule of Expenditures of Federal Awards Year Ended December 31, 2013

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:		
Adult - AY 2011	17.258	\$ 2,150
Adult - AY 2012	17.258	274,850
Youth - AY 2011	17.259	18,911
Youth - AY 2012	17.259	306,438
Dislocated Worker - AY 2011	17.278	143,413
Dislocated Worker - AY 2012	17.278	327,349
Statewide Activities - Service Center Operations - AY 2010	17.258/17.259/17.278	1,882
Statewide Activities - Service Center Operations - AY 2012	17.258/17.259/17.278	49,499
WIA Local Administration - AY 2011	17.258/17.259/17.278	2,962
WIA Local Administration - AY 2012	17.258/17.259/17.278	108,975
WIA Local Administration - AY 2013	17.258/17.259/17.278	39,364
Total WIA Cluster		1,275,793
Employment Service Cluster - U.S. Department of Labor - Passed through the Michigan		
Workforce Development Agency:		
Wagner-Peyser Act ES 7(A) - AY 2012	17.207	195,452
Wagner-Peyser Act ES 7(A) - AY 2013	17.207	73,462
Total Employment Service Cluster		268,914
Highway Safety Cluster - U.S. Department of Transportation - Passed through the Michigan Office of Highway Safety and Planning - State and Community Highway Safety - STEP		
	20.600	16,478
Federal Transit Cluster - U.S. Department of Transportation:		
Federal Section 5307 Operating Assistance - 2013	20.507	740,031
Federal Section 5307 Operating Assistance - 2014	20.507	307,014
Federal CMAQ Grant - People's Express	20.507	69,918
Federal Section 5307 Preventative Maintenance - 2013	20.507	218,097
Federal Section 5307 Preventative Maintenance - 2014	20.507	13,449
Federal Section 5307 Capital Assistance - 2013	20.507	65,404
ARRA - Federal Section 5307 Capital Assistance - 2009	20.507	17,415
Total Federal Transit Cluster		1,431,328
Transit Services Program Cluster - U.S. Department of Transportation:		
Federal Section 5316 JARC - 2013	20.516	29,124
Federal Section 5316 Operating Assistance - JARC - 2014	20.516	4,717
Total Transit Services Program Cluster		33,841

Livingston County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended December 31, 2013

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Federal Expenditures
Clusters (Continued):		
Immunization Cluster - U.S. Department of Health and Human Services - Passed through the State of Michigan Department of Community Health:		
Immunization IAP	93.268	\$ 79,270
Immunization Fixed Fees	93.268	6,000
Immunization - Vaccine for Children	93.268	<u>58,631</u>
Total Immunization Cluster		143,901
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	50,668
CSHCS - Care Coordination	93.778	3,540
CSHCS Medicaid Outreach Activities	93.778	14,268
CSHCS Outreach & Advocacy	93.778	<u>40,000</u>
Total Medicaid Cluster		108,476
TANF Cluster - U.S. Department of Labor - Passed through the Michigan Workforce Development Agency:		
TANF - JET FY 13	93.558	130,165
TANF - PATH FY 14	93.558	<u>50,955</u>
Total TANF Cluster		181,120
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	14.228	181,727
SNAP Cluster - U.S. Department of Labor - Passed through the Michigan Workforce Development Agency:		
FY 13 SAM Grants-SNAP	10.561	2,353
FY 14 SAM Grants-SNAP	10.561	<u>334</u>
Total SNAP Cluster		2,687
Other federal awards:		
U.S. Department of Labor - Passed through the Michigan Workforce Development Agency:		
Trade Adjustment Assistance FY 13 (2002)	17.245	74,384
Trade Adjustment Assistance FY 13 (2009/2011)	17.245	306,637
Trade Adjustment Assistance FY 14 (2002)	17.245	17,363
Trade Adjustment Assistance FY 14 (2009/2011)	17.245	41,847
Trade Adjustment Assistance FY 13 (2009/2011) TAA Employer Based Training Foundation	17.245	60,000
Trade Adjustment Assistance FY 13 (2009/2011) TAA Survey Equipment	17.245	11,961
RES/REA EUC Administration	17.225	65,319
RES/REA EUC for Claimants	17.225	<u>11,127</u>
Total passed through the Michigan Workforce Development Agency		588,638
U.S. Department of Agriculture - Passed through State of Michigan Department of Health		
Special Supplemental Food Program for Women, Infants, and Children	10.557	353,223
U.S. Department of Energy - ARRA - Energy Efficiency and Conservation Block Grant		
	81.128	4,275

See Notes to Schedule of Expenditures
of Federal Awards

Livingston County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended December 31, 2013

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 Community Health:		
Bioterrorism - Focus A , EPI & CRI	93.069	\$ 185,022
CSHCS - Care Coordination	93.994	4,113
Maternal and Child Health Services SIDS	93.994	150
Maternal and Child Health Services	93.994	39,490
TB Control	93.116	<u>100</u>
Total passed through the Michigan Department of Community Health		228,875
Passed through the State of Michigan Department of Human Services:		
Child Support Enforcement - Cooperative Agreement	93.563	849,354
Child Support Enforcement - Cooperative Agreement Incentives	93.563	257,366
Child Support Enforcement - Family Support Cooperative Agreement	93.563	<u>152,879</u>
Total passed through the Michigan Department of Human Services		1,259,599
Passed through the State of Michigan Department of Agriculture and Rural Development -		
Food and Drug Administration Research	93.103	3,481
Passed through the National Association of County and City Health Officials -		
Center for Disease Control & Prevention Investigations and Technical Assistance	93.283	<u>9,544</u>
Total passed through the U.S. Department of Health and Human Services		1,501,499
U.S. Department of Homeland Security:		
Passed through Michigan State Police:		
Emergency Management Performance Grant (EMPG)	97.042	40,705
Interoperable Emergency Communications Grant Program	97.055	60,130
Homeland Security Grant Program	97.067	<u>140,132</u>
Total passed through Michigan State Police		249,967
Passed through the State of Michigan Department of Natural Resources -		
Federal Boating Safety Assistance - Marine Safety Grant	97.012	<u>8,100</u>
Total passed through the U.S. Department of Homeland Security		249,067
U.S. Department of Justice:		
Federal Equitable Share Funds	16.922	184,439
Drug Court Discretionary Grant	16.585	1,600
Supervised visitation and safe havens	16.527	<u>76,617</u>
Total U.S. Department of Justice		262,656
U.S. Environmental Protection Agency - Passed through the Michigan Department of		
Environmental Quality:		
State Drinking Water Revolving Fund - Standard	66.471	3,891
State Drinking Water Revolving Fund - Standard	66.468	<u>1,163</u>
Total U.S. Environmental Protection Agency		<u>5,054</u>
Total federal awards		<u><u>\$ 6,608,677</u></u>

Livingston County, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended December 31, 2013

Note 1 - Basis of Presentation and Significant Accounting Policies

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Livingston County, Michigan under programs of the federal government for the year ended December 31, 2013. Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule are recognized following the cost principles contained in OMB Circular A-87, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Because the Schedule presents only a selected portion of the operations of Livingston County, Michigan, it is not intended to, and does not, present the financial position, changes in net position, 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 Housing Development Authority - Community Development Block Grant/States Program	20.507	\$ 69,918
WIA Youth	14.228	141,566
Wagner Peyser Act ES 7(a)	17.259	253,952
RES/REA EUC Administration	17.207	150,251
Trade Adjustment Assistance	17.225	62,530
WIA Dislocated Workers	17.245	67,549
TANF Jet/Path	17.278	155,907
WIA Adult Program	93.558	93,868
	17.258	120,394
Total		\$ 1,115,935

Livingston County, Michigan

Schedule of Findings and Questioned Costs Year Ended December 31, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

Type of auditor's report issued on compliance for major programs: Unmodified for all major programs except for CFDA No. 20.507, Federal Transit Cluster, which was qualified.

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
17.245	Trade Adjustment Assistance
20.507	Federal Transit Cluster (includes ARRA)

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 Year Ended December 31, 2013

Section II - Financial Statement Audit Findings

Reference Number	Finding
2013-001	<p>Finding Type - Material weakness</p> <p>Criteria - 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>Condition - Journal entries were required during the audit to ensure the financial statement presentation was in conformity with generally accepted accounting principles.</p> <p>Context - The journal entries included adjustments to increase accounts payable by \$213,864.</p> <p>Cause - 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>Effect - Auditor-proposed journal entries were recorded that could have been material.</p> <p>Recommendation - 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>Views of Responsible Officials and Planned Corrective Actions - The County concurs with the recommendation and will work toward putting a process in place to address the issue.</p>

Livingston County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2013

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2013-002	<p>Finding Type - Material weakness</p> <p>Criteria - Management should review for accuracy all actuary assumptions used in determining the annual required contribution (ARC), actuarial value of assets, and actuarial accrued liability (AAL) in the County's defined benefit pension plan and other postemployment benefit plans (OPEB) prior to the start of the audit.</p> <p>Condition - Inaccurate assumptions were originally used to calculate the year-end OPEB closing entries and disclosures. Journal entries were required during the audit to ensure the financial statement presentation was in conformity with generally accepted accounting principles.</p> <p>Context - The assumptions originally used in the OPEB actuary report were not accurate and needed to be updated to properly reflect the County's current benefit structure. After updating the actuary report, the ARC and AAL increased, resulting in a \$1,049,501 decrease in the County's net OPEB asset.</p> <p>Cause - The County did not have a review process in place to ensure the actuarial assumptions used in the report were in line with the current benefit structure.</p> <p>Effect - Auditor-proposed journal entries were recorded that could have been material.</p> <p>Recommendation - The County should implement procedures to ensure that accurate actuarial assumptions are used.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The actuarial assumptions were given to the prior actuary based on union negotiations that were being finalized. Last minute negotiations were not communicated to the actuary. The County concurs with the recommendation and will work on putting a process in place to address the issue so this does not repeat.</p>

Livingston County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2013

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2013-003	<p>Finding Type - Material weakness</p> <p>Criteria - OMB Circular A-133 requires that the schedule of expenditures of federal awards (SEFA) properly identify all federally funded expenditures that occurred during the audit period.</p> <p>Condition - 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>Context - 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 \$21,700); however, they could not be fully reconciled.</p> <p>Cause - For the majority of the year, the tracking system for federal grant expenditures was 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>Effect - 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 \$27,100.</p> <p>The County did implement a new enterprise resource planning system in the fourth quarter of the year. This will ease reconciliation of the SEFA in future years but was not fully implemented in 2013.</p> <p>Recommendation - 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>

Livingston County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2013

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2013-003 (Continued)	Views of Responsible Officials and Planned Corrective Actions - The County implemented a new Enterprise Resource Planning system in October 2013. This included a module for grant and project accounting. As we work with the module, we are incorporating more education and guidance to department staff on the importance of reconciling financial status reports to the general ledger. County administration staff have been adding grants to the grant module and reconciling financial status reports to the general ledger and to the project ledger. We are working to get the proper accounting tools in place to ensure the County will not receive this finding again.

Livingston County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2013

Section III - Federal Program Audit Findings

Reference Number	Finding
2013-004	<p>Program Name - Federal Transit Cluster, CFDA# 20.507, finding related to non-ARRA awards</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Material weakness and material noncompliance with Laws and regulations</p> <p>Criteria - Per Circular FTA C 9030.ID (Urbanized Area Formula Program: Program Guidance and Application Instructions), "depreciation accrued by public operators, depreciation on facilities or equipment purchased with public (federal, state, or local) capital assistance" is listed as an ineligible expense.</p> <p>Condition - During the current year, the County included depreciation expense in operating expenses when determining the amount to request for federal reimbursements.</p> <p>Questioned Costs - \$128,931 included on the schedule of expenditures of federal awards. The County requests 50 percent reimbursement of all eligible operating expenses. Total depreciation expense during the year included with operating expenses was \$257,862, of which the County was reimbursed for 50 percent by federal funds.</p> <p>Context - The majority of the County's transit expenses are eligible for federal reimbursement. The depreciation expense accounted for approximately 12 percent of all expenses. The questioned costs are material to the compliance opinion and as a result, we have modified our compliance opinion on this grant.</p> <p>Cause and Effect - The County does not have adequate controls in place to ensure only eligible expenses are being requested for reimbursement.</p> <p>Recommendation - The County should develop adequate controls to ensure reimbursement requests are reviewed for allowability, prior to approval of the request.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Once it was identified that depreciation is not an allowable expense under Circular 9030.ID, the corrective action plan was implemented immediately on all workpapers back to October 1, 2013. This was able to be accomplished because the L.E.T.S. FY 2014 Federal Formula Operating grant has not been executed and awarded and no reports and/or reimbursements have occurred.</p>

Livingston County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2013

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2013-005	<p>Program Name - Federal Transit Cluster, CFDA# 20.507, finding related to non-ARRA awards</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Material weakness and material noncompliance with Laws and regulations</p> <p>Criteria - Per Circular FTA C 9030.ID (Urbanized Area Formula Program: Program Guidance and Application Instructions), revenue/contra items that directly offset public transportation expenses should be deducted when determining the net operating costs for federal reimbursement.</p> <p>Condition - Certain revenue amounts were not subtracted from operating expenses before requesting operating reimbursement. Such revenue amounts included fuel sold to airport and rent, which all had costs reimbursed by the federal grant. In addition, passenger fares/contract fares for the quarter from July - September 2013 were also not subtracted from operating expenses.</p> <p>Questioned Costs - \$60,292 included on the schedule of expenditures of federal awards. The County requests 50 percent reimbursement of all eligible operating expenses. Total revenues during the year not deducted from operating expenses was \$120,584.</p> <p>Context - The County erroneously failed to exclude the passenger fares from its third quarter reimbursement. All other quarters properly excluded the fares before requesting reimbursement. This led to questioned costs of \$38,824. Total other revenue costs/contra items not excluded from net operating cost led to questioned costs of \$21,468.</p> <p>Cause and Effect - The County does not have adequate controls in place to ensure net operating expenses, as described in FTA Circular 9030D, are being calculated properly.</p> <p>Recommendation - The County should develop adequate controls to ensure reimbursement requests are reviewed, prior to approval of the request.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Once this finding was identified, the corrective action plan was implemented immediately on all workpapers for the July - September 2013 quarter, subtracting out fuel sales and passenger fares/contracts. EMS moved out on November 1, 2013 and therefore L.E.T.S. is no longer collecting rent.</p>

Livingston County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2013

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2013-006	<p>Program Name - Federal Transit Cluster, CFDA# 20.507, finding related to non-ARRA awards</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Significant deficiency and material noncompliance with laws and regulations</p> <p>Criteria - Per the Federal Funding Accounting and Transparency Act of 2006, "Prime Contractors awarded a Federal contract or order that is subject to Federal Acquisition Regulation clause 52.204-10 (Reporting Executive Compensation and First-Tier Subcontract Awards) are required to file a FFATA subaward report by the end of the month following the month in which the prime contractor awards any subcontract greater than \$25,000." This requirement applies when a grantee passes through funds (over \$25,000 per contract) from any non-ARRA awards received October 1, 2010 and later.</p> <p>Condition - The County is a prime recipient of the federal transit CMAQ grant and passes through the entire amount to a subrecipient. The filing of the required FFATA report was not performed.</p> <p>Questioned Costs - None</p> <p>Context - As a prime recipient who passes through an amount over \$25,000, the County failed to file the required FFATA reports. The County has subsequently filed the report after we informed them of the requirement.</p> <p>Cause and Effect - The County does not have adequate controls in place to ensure required reports are filed.</p> <p>Recommendation - The County should develop adequate controls to ensure all report requirements are fulfilled.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Once this finding was identified, the FFATA report was prepared and submitted. The CMAQ grant ended September 30, 2013.</p>

Livingston County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2013

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2013-007	<p>Program Name - Federal Transit Cluster, CFDA# 20.507, finding related to non-ARRA awards</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Significant deficiency and material noncompliance with laws and regulations</p> <p>Criteria - Per 31 U.S. Code 7502(f)(1)(A), each federal agency which provides federal awards to a recipient shall provide such recipient the program names (and any identifying numbers) which such awards are derived, and the federal requirements which govern the use of such awards.</p> <p>Also, per 31 U.S. Code 7502(f)(1)(B), each federal agency which provides federal awards to a recipient shall review the audit of a recipient as necessary to determine whether prompt and appropriate corrective action has been taken with respect to audit findings, as defined by the director, pertaining to Federal awards provided to the recipient by the federal agency.</p> <p>Condition - The County passes through funds to a subrecipient; however, it did not include the CFDA number or grant name in the contract. In addition, the County did not request the audit report from its subrecipient.</p> <p>Questioned Costs - None</p> <p>Context - The County failed to include the CFDA number and grant title in the contract with the subrecipient, People's Express; however, grant requirements were included in the contract. Additionally, the County's controls failed to request an audit report from the subrecipient; however, it was noted that the subrecipient was not required to submit an audit report, as expenditures were less than \$500,000.</p> <p>Cause and Effect - The County does not have adequate controls in place to ensure the subrecipient knows the grant's CFDA number and grant name or to request an audit report from the subrecipient.</p> <p>Recommendation - The County should implement controls to ensure inclusion of CFDA number and grant name in contracts with subrecipients and to request audit reports if applicable.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The CMAQ grant has ended and currently there is no subsequent grant for which to make any correction.</p>

Livingston County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2013

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2013-008	<p>Program Name - Federal Transit Cluster, CFDA# 20.507, finding related to non-ARRA awards</p> <p>Pass-through Entity - N/A</p> <p>Finding Type - Significant deficiency and material noncompliance with laws and regulations</p> <p>Criteria - Per 2 CFR 180.300, the County must verify the person with whom it intends to do business is not excluded or disqualified by checking the Excluded Parties List System (EPLS), collecting a certification from that person or adding a clause or condition to the covered transaction with that person.</p> <p>Condition - The County does not have a process in place to verify a person/business with whom it does business is not excluded or debarred.</p> <p>Questioned Costs - None</p> <p>Context - The County only passed through funds to one subrecipient in the current year and prior to making the award it did not check whether the subrecipient was excluded from the suspended and debarred listing. Subsequently the County reviewed the listing and noted that the subrecipient was not included as suspended and debarred, thereby creating no questioned costs.</p> <p>Cause and Effect - The County does not have adequate controls in place to ensure a person/business with which it intends to do business is not excluded or disqualified.</p> <p>Recommendation - The County should implement controls to ensure individuals/businesses with whom the County does business are not excluded or disqualified. The County should check the EPLS or collect a certification from the individual/business.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Purchasing has a bid checklist sheet that includes a line to remind us to check the awarded vendor at sam.gov for excluded or debarred status. We will verify this information for any subrecipient we plan to award.</p>

Livingston County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2013

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2013-009	<p>Program Name - Workforce Investment Act Cluster (Dislocated Worker), CFDA# 17.278</p> <p>Pass-through Entity - Michigan Workforce Development Agency</p> <p>Finding Type - Significant deficiency</p> <p>Criteria - Per 29 USC 2939(h), each individual receiving benefits needs to be in compliance with Section 3 of the Military Selective Service Act (50 USC App. 453) by presenting and submitting to registration as required.</p> <p>Condition - The County's controls failed to ensure proper documentation to show verification of eligibility took place.</p> <p>Questioned Costs - None</p> <p>Context - 1 out of 25 participants tested did not include proper documentation verifying the participant was in compliance with the Military Selective Service Act; however, it was subsequently determined that the participant was eligible in compliance with the Military Selective Service Act thereby creating no noncompliance.</p> <p>Cause and Effect - Internal control procedures over eligibility did not operate effectively. As a result, an individual was approved for eligibility without all the the proper documentation.</p> <p>Recommendation - The County should ensure adequate internal control processes exist to ensure all eligibility requirements are met and documented.</p>

Livingston County, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended December 31, 2013

Section III - Federal Program Audit Findings (Continued)

Reference Number	Finding
2013-009 (Continued)	Views of Responsible Officials and Planned Corrective Actions - We have provided additional training to program staff and revised our procedures to ensure that the proper documentation on Selective Service registration is collected at intake. The participant in question was dual-enrolled in two programs: Trade Adjustment Act and WIA. The original intake and eligibility determination was performed by our Trade Act staff. Selective Service registration is not required for Trade Act Certification so they did not verify Selective Service registration at intake using the federal government's online Selective Service verification system. Since both the State and federal government recommend dual enrollment of Trade Act participants, the participant was later dual enrolled in WIA. However, through an oversight, staff neglected to verify Selective Service registration when the WIA enrollment was processed. We are now verifying Selective Service registration for both Trade Act and WIA applications at time of intake. This will facilitate dual enrollment of Trade Act participants into WIA if it becomes necessary or desirable. We have also reviewed all files of males dual-enrolled in WIA and Trade Act to verify that Selective Service registration documentation was included in the files.

Livingston County, Michigan

Summary Schedule of Prior Audit Findings Year Ended December 31, 2013

Prior Year Finding Number	Federal Program	Original Finding Description	Status	Planned Corrective Action
2012-03	Energy Efficiency Community Block Grant, CFDA# 81.128	The County received reimbursement from the grant approximately seven months prior to paying a vendor for which the draws were requested.	Corrected	N/A
2012-04	Energy Efficiency Community Block Grant, CFDA# 81.128	The County submitted quarterly reports; however, the amounts reported cannot be reconciled or traced to the underlying financial data recorded in the general ledger.	Corrected	N/A
2012-05	Immunization Grant, CFDA# 93.268 and Special Supplemental Nutrition Program for Women, Infants, and Children, CFDA# 10.557	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.	Corrected	N/A
2012-06	Workforce Investment Act Cluster, CFDA# 17.258/17.259/17.278	An individual charged to the WIA Dislocated Workers grant did not meet the definition of a dislocated worker according to 29 USC 2801(9).	Corrected	N/A
2012-07	Workforce Investment Act Cluster, CFDA# 17.258/17.259/17.278	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.	Corrected	N/A