

Macomb County, Michigan

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

Macomb County, Michigan

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Report on Schedule of Expenditures of Federal
Awards Required by OMB Circular A-133

Independent Auditor's Report

To the Board of Directors
Macomb County, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Macomb County, Michigan (the "County") as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated August 16, 2013 which contained unmodified opinions on those basic financial statements. Our audit was conducted for the purpose of forming opinions on the financial statement that collectively comprise the basic financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to August 16, 2013.

The accompanying schedule of expenditures of federal awards is presented for the purpose of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Plante & Moran, PLLC

Clinton Township, Michigan
August 16, 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 Directors
Macomb County, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Macomb County, Michigan (the "County") as of and for the year ended December 31, 2012, and related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated August 16, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as Findings 2012-01 and 2012-02 to be material weaknesses.

To the Board of Directors
Macomb County, Michigan

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2012-03 to be a significant deficiency.

Compliance and Other Matters

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

Macomb County, Michigan's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Plante & Moran, PLLC

Clinton Township, Michigan
August 16, 2013

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

Independent Auditor's Report

To the Board of Directors
Macomb County, Michigan

Report on Compliance for Each Major Federal Program

We have audited Macomb County, Michigan's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012. Macomb County, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Macomb County, Michigan's major federal programs based on our audit of the types of compliance requirements referred to above.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Macomb County, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Macomb County, Michigan's compliance.

To the Board of Directors
Macomb County, Michigan

Opinion on Each Major Federal Program

In our opinion, Macomb County, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 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 2012-05 and 2012-06. Our opinion on each major federal program is not modified with respect to these matters.

Macomb County, Michigan's response to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Macomb County, Michigan's 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

Management of Macomb County, Michigan is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Macomb County, Michigan's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the entity'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, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2012-04 and 2012-05 to be material weaknesses.

To the Board of Directors
Macomb County, Michigan

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

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

Clinton Township, Michigan
August 16, 2013

County of Macomb

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

Federal Agency/Pass-through Entity/Program Title	Federal CFDA Number		Federal Expenditures
U.S. Department of Agriculture:			
Passed through State Department of Community Health:			
WIC - Special Supplemental Nutrition For Infants And Children	10.557		\$ 1,594,810
WIC - Breastfeeding Peer Counselor	10.557		37,456
Passed through State Department of Education:			
Head Start - Children Meals Program	10.558		407,249
National School Lunch - After School Snack	10.555	(1)	16,049
National School Breakfast	10.553	(1)	52,955
National School Lunch	10.555	(1)	82,681
USDA Commodities - Food Donations	10.555	(1)	43,035
TEFAP Surplus Food Distribution Emergency Food Assist. - Admin	10.568	(2)	166,283
TEFAP - Commodities	10.569	(2)	643,906
Passed through State Dept Labor and Economic Growth:			
Food Assistance & Employment Training - Oper	10.561	(3)	194,982
Food Assistance & Employment Training - Support Serv	10.561	(3)	618
Total U.S. Department of Agriculture			3,240,024
National Oceanic and Atmospheric Administration - Direct			
Clinton River Spillway Habitat Restoration Planning and Design	11.463		94,201
2007 Public Safety Interoperable Communications	11.555		36,640
Total National Oceanic and Atmospheric Administration			130,841
U.S. Department of HUD:			
Direct Programs:			
Neighborhood Stabilization Program-3 (B-11-UN-26-0003)	14.218	(4)	744,958
Neighborhood Stabilization Program-1 (B-08-UN-26-0003)	14.218	(4)	1,813,925
ARRA CDBG - R/Fastrac Initiative B-09-UY-26-005	14.253	(4)	449,671
Community Development Block Grant (B-10-UC-26-0005)	14.218	(4)	1,749,845
Community Development Block Grant (B-11-UC-26-0005)	14.218	(4)	1,031,684
HUD Homeless	14.235		15,621
Home Investment Partnership #M-07-DC-26-0209	14.239		32,078
Home Investment Partnership #M-08-DC-26-0209	14.239		443,709
Home Investment Partnership #M-09-DC-26-0209	14.239		155,041
HUD Grants Passed through Other Than State:			
CSA Chore Services - Cities	14.219		86,605
Housing Inspections	14.218	(4)	138,497
Total U.S. Department of HUD			6,661,634

County of Macomb

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

Federal Agency/Pass-through Entity/Program Title	Federal CFDA Number		Federal Expenditures
U.S. Department of Justice:			
Direct:			
Drug Forfeitures	16.922		\$ 60,069
JAG #2012-DJ-BX-0275	16.738	(5)	29,736
JAG #2011-DJ-BX-2601	16.738	(5)	95,787
JAG #2010-DJ-BX-1104	16.738	(5)	115,858
Passed through State Family Independence Agency - Juvenile Accountability Incentive Block Grant	16.523		45,690
Passed through State Department of Community Health:			
Anti-Drug Abuse	16.738	(5)	48,960
Street Level Enforcement Team	16.738	(5)	97,782
Domestic Violence Victim Advocate	16.575		154,709
Total U.S. Department of Justice			648,591
Office of National Drug Control Policy - Michigan Department of State Police - High Intensity Drug Trafficking Area Program (HIDTA)	07.000		100,000
U.S. Department of Labor:			
Passed through State Dept. of Energy, Labor, and Economic Growth:			
WIA JET Support	17.258	(6)	5,824
WIA JET Support	17.259	(6)	6,236
WIA JET Support	17.278	(6)	7,775
Wagner - Peyser - 7A - Employment Services	17.207	(7)	1,572,829
Workforce Investment Act - Adult	17.258	(6)	3,726,460
Workforce Investment Act - Dislocated Workers	17.278	(6)	3,248,529
Workforce Investment Act - Youth	17.259	(6)	3,292,305
WIA Statewide Activities - Mich Works Services Center	17.258	(6)	72,929
WIA Statewide Activities - Mich Works Services Center	17.259	(6)	78,095
WIA Statewide Activities - Mich Works Services Center	17.278	(6)	97,371
WIA Performance Incentive	17.258	(6)	1,812
WIA Performance Incentive	17.259	(6)	1,941
WIA Performance Incentive	17.278	(6)	2,420
WIA Statewide - Capacity Building	17.258	(6)	4,698
WIA Statewide - Capacity Building	17.259	(6)	5,030
WIA Statewide - Capacity Building	17.278	(6)	6,272
Trade Adjustment Assistance	17.245		5,558,689
WIA - Local Admin	17.258	(6)	282,137
WIA - Local Admin	17.259	(6)	304,458
WIA - Local Admin	17.278	(6)	374,167
WIA Statewide - JET	17.258	(6)	68,478
WIA Statewide - JET	17.259	(6)	74,283
WIA Statewide - JET	17.278	(6)	90,394
TGAAA Case Management Services	17.245		147,500
Emergency Unemployment Compensation	17.225		232,413
ARRA - WIA DW NEG - SE MI	17.260	(6)	994,789
ARRA - SESP - Macomb Solar	17.275		121,869
ARRA - WIA - SESP - Macomb Advanced Energy Storage	17.275		553,281
WIA - DW - NEG - OJT	17.260	(6)	907,194
Passed through State Office of Services to The Aging - Senior Comm Service Employment Program	17.235		682,191
Direct - Aging Worker Initiative	17.268		476,305
Total U.S. Department of Labor			22,998,674

See Notes to Schedule of Expenditures
of Federal Awards.

County of Macomb

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

Federal Agency/Pass-through Entity/Program Title	Federal CFDA Number		Federal Expenditures
U.S. Department of Transportation:			
Passed through Department of State Police:			
Drive Michigan Safety Task Force PT-12-14	20.601	(8) \$	110,429
Drive Michigan Safety Task Force PT-12-17	20.600	(8)	116,839
Hazardous Materials Emerg Preparedness	20.703		9,122
Passed through Department of Transportation:			
Macomb Orchard Trail Phase II & III	20.205	(9)	93,622
Highway Planning and Construction Cluster	20.205	(9)	3,073,574
ARRA Highway Planning and Construction Cluster	20.205	(9)	11,574
Passed through State Dept. of Energy, Labor, and Economic Growth -			
Road Construction Apprenticeship Readiness (MSC I I-RCAR4)	20.205	(9)	73,737
Total U.S. Department of Transportation			3,488,897
U.S. Department of Treasury -			
Passed through State Dept. of Energy, Labor, and Economic Growth:			
Foreclosure Mitigation Round 5	21.021		15,600
Foreclosure Mitigation Round 6	21.021		57,510
Total U.S. Department of Treasury			73,110
U.S. Small Business Center:			
SBA Incubator II	59. Unknown		101,658
SBA Incubator III	59. Unknown		18,439
Total U.S. Small Business Center			120,097
U.S. Environmental Protection Agency:			
Passed through MI Department of Environmental Quality:			
State Clean Water and/or Drinking Water Revolving Fund Loan #5393-01	66.458		5,247
Beach Monitoring And Notification	66.472		5,000
Great Lakes Restoration Initiative - Beach Modeling	66.469		54,793
Noncommunity Water - Operator Certification	66.471		1,968
State Clean Water and/or Drinking Water Revolving Fund Loan #5460-01	66.458		40,043
Passed through MI Department of Agriculture:			
Clean Sweep Pesticide Collection Program	66.469		17,000
Great Lakes Restoration Initiative - Rapid Water Testing	66.469		53,915
Direct:			
Lake St. Clair Coastal Marshland Reclamation	66.469		448,830
EPA Assess Brownfield - Petroleum - BF00E82401-0	66.818		57,729
EPA Assess Brownfield - Hazardous - BF0082501-0	66.818		23,092
Great Lakes Restoration Initiative - Household Hazardous Waste	66.469		117,978
Great Lakes Restoration Initiative - Illicit Discharge Elimination	66.469		131,039
Total U.S. Environmental Protection Agency			956,634
U.S. Department of Energy:			
Passed through Michigan Family Independence Agency:			
Weatherization	81.042		560,089
ARRA - Weatherization	81.042		675,831
Direct - ARRA Energy Efficiency & Conservation Block Grant	81.128		88,659
Total U.S. Department of Energy			1,324,579

See Notes to Schedule of Expenditures
of Federal Awards.

County of Macomb

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

Federal Agency/Pass-through Entity/Program Title	Federal CFDA Number		Federal Expenditures
U.S. Department of Health & Human Services:			
Direct Program:			
Head Start	93.600	(10)	\$ 5,641,531
Head Start - Full Yr Part Day Handicapped Training & Tech Assist	93.600	(10)	1,022,905
Passed through Area Agency on Aging I-B:			
Senior Citizen Chore Services	93.044	(11)	97,073
Medicare Improvement for Patients and Providers (MIPPA)	93.778	(12)	10,500
Title III Outreach/Resource Advocacy	93.044	(11)	74,713
Legal Assistance	93.044	(11)	38,660
Home Injury Control	93.044	(11)	27,566
Congregate Nutrition Programs	93.045	(11)	406,566
Home Delivered Meals	93.045	(11)	999,660
Home Delivered Meals - NSIP	93.053	(11)	279,927
Congregate Nutrition Program - NSIP	93.053	(11)	68,109
Passed through State Department of Community Health:			
MITURN Homeless Project	93.150		65,200
Bioterrorism - Focus A Program #1590	93.069		285,464
Macomb Homeless Project - (PATH)	93.150		32,422
PSS Activities in Early Engagement and Health Promotion	93.958		52,117
Supported Employment	93.958		17,100
MI Child	93.767		352,963
MI Child - Substance Abuse	93.767		20,050
Trauma Specific Services	93.958		120,077
CSHCS Maternal Child - Title V	93.994		6,862
CSHCS CARE COORDINATION TITLE V/XIX - MEDICAID ADMI	93.778	(12)	9,820
CSHCS CARE Case Management TITLE V/XIX	93.778	(12)	11,333
Family Planning - General Services	93.217		156,988
Immunizations - IAP	93.268	(13)	324,566
Immunizations - AFIX	93.268	(13)	50
Cities Readiness Initiative	93.069		160,990
AIDS/HIV Prevention	93.940		158,801
SIDS Counseling	93.994		1,500
Tb Control, Directly Observed Therapy	93.116		29,961
Local Mch Program - Family Planning	93.994		189,488
Medicaid Outreach Activities Reimbursement	93.778	(12)	52,903
Alcohol/Drug Abuse Mental Health Block Grant	93.959		3,054,928
Holding on to Life	93.243		50,045
OBRA Assessment	93.778	(12)	317,612
VFC/AFIX - Provider Site Visits	93.268	(13)	23,100
Immunization - Nurse Training	93.268	(13)	2,850
Fetal Infant Mortality Review	93.994		4,050
FDA Tobacco Retailer Inspections	93.058		5,322
Imunization Grants - VFC/317	93.268	(13)	1,629,636
VFC - Provider Site Visits	93.268	(13)	900
Adult Benefits Waiver - Medicaid	93.778	(12)	337,274
SIDS Autopsies	93.994		3,200
CSHCS Outreach Advocacy	93.778	(12)	71,635

County of Macomb

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

Federal Agency/Pass-through Entity/Program Title	Federal CFDA Number	Federal Expenditures
U.S. Department of Health & Human Services (continued):		
Passed through State Family Independence Agency:		
Cooperative Reimbursement Program - Incentive	93.563	\$ 944,041
Prosecuting Atty-Child Support Enforcement	93.563	719,355
Friend of The Court - IV D Program	93.563	4,533,739
CAA Administration	93.569 (14)	119,439
General Community Programming	93.569 (14)	783,657
LIHEAP-LCA Deliverable Fuels	93.568	15,401
CSBG - Discretionary EITC	93.569 (14)	20,000
Passed through State Dept. of Energy, Labor, and Economic Growth:		
Workfirst TANF - Jobs Education and Training	93.558 (15)	3,788,878
DHS Chafee Funding Foster Care Summer	93.674	72,000
Passed through State Court Administrative Office -		
Access and Visitation Grant	93.597	24,285
Total U.S. Dept. of Health & Human Services		<u>27,237,212</u>
U.S. Department of Homeland Security:		
Passed through State Department of State Police:		
2009 Citizen Corps. Program	97.067	11,375
2009 Homeland Security Grant - UASI	97.067	1,195,455
2009 Homeland Security Grant - SHSP	97.067	26,147
2009 Operation Stonegarden	97.067	149,927
Emergency Management Performance Grant	97.042	26,143
2010 Citizen Corps. Program	97.067	1,800
2010 Homeland Security Grant - SHSP	97.067	21,007
2010 Homeland Security Grant - UASI	97.067	254,449
2008 Homeland Security Grant - SHSP	97.067	72,529
2008 Homeland Security Grant - UASI	97.067	834,226
2010 Operation Stonegarden	97.067	69,213
Passed through United Way - Emergency Food & Shelter Supplemental	97.024 (16)	21,500
Total U.S. Department of Homeland Security		<u>2,683,771</u>
Total federal awards		<u><u>\$ 69,664,064</u></u>

(1) Denotes the Child Nutrition Cluster	194,720
(2) Denotes the Emergency Food Assistance Cluster	810,189
(3) Denotes the Supplemental Nutrition Assistance Program Cluster	195,600
(4) Denotes the Community Development Block Grant Cluster	5,928,580
(5) Denotes the Justice Assistance Grant Cluster	388,123
(6) Denotes the Workforce Investment Act Cluster	13,653,597
(7) Denotes the Employment Services Cluster	1,572,829
(8) Denotes the Highway Safety Cluster	227,268
(9) Denotes the Highway Planning and Construction Cluster	3,252,507
(10) Denotes the Head Start Cluster	6,664,436
(11) Denotes the Aging Cluster	1,992,274
(12) Denotes the Medicaid Cluster	811,077
(13) Denotes the Immunization Cluster	1,981,102
(14) Denotes the Community Services Block Grant Cluster	923,096
(15) Denotes the TANF Cluster	3,788,878
(16) Denotes the Emergency Food and Shelter Program Cluster	21,500

See Notes to Schedule of Expenditures
of Federal Awards.

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

Note 2 - Fiscal Reporting

Certain departments report on a different fiscal year than the County. Grants accounted for and reported on year ends other than December 31, 2012 are noted as such in the Schedule in the program period column. Such reporting is consistent with the reporting within the County's basic financial statements.

Note 3 - Noncash Assistance

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

Summary of Noncash Assistance - The grantee received the following noncash assistance during the year ended December 31, 2012 that is included on the schedule of expenditures of federal awards:

<u>Federal Program</u>	<u>CFDA Number</u>	<u>Description</u>	<u>Amount</u>
USDA Commodities (Food Donations)	10.555	Food Donations	\$ 43,035
TEFAP Commodities	10.569	Food Donations	<u>643,906</u>
		Total	<u>\$ 686,941</u>

Macomb County, Michigan

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

Note 4 - 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
Food Assistance & Employment Training	10.561	\$ 148,869
2007 Public Safety Interoperable Communications	11.555	32,814
Community Development Block Grant Entitlement Cluster	14.218	2,255,928
ARRA Community Development Block Grant - Recovery Workforce Investment Cluster	14.253 17.258/17.259/17 .260/17.278	449,671 1,746,440
Drive Michigan Safety Task Force	20.600	86,785
Youth Alcohol Enforcement	20.601	66,765
SBA Incubator	59.Unknown	91,796
MI Child - Substance Abuse	93.767	20,050
Alcohol/Drug Abuse Mental Health Block Grant	93.959	2,504,684
Adult Benefits Waiver	93.778	337,274
Workfirst TANF - Jobs Education and Training	93.558	489,454
DHS Chafee Funding Foster Care Summer	93.674	22,520
Homeland Security Cluster	97.067	1,595,073
Total		<u>\$ 9,848,123</u>

Macomb 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
14.218, 14.253	CDBG Cluster
17.258; 17.259; 17.260; 17.278	WIA Cluster
17.245	Trade Adjustment
93.558	TANF
93.600	Headstart
93.563	Child Support Enforcement
93.959	Substance Abuse
97.067	Homeland Security
20.205	Michigan Department of Transportation

Dollar threshold used to distinguish between type A and type B programs: \$2,089,922

Auditee qualified as low-risk auditee? Yes No

Macomb 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>Finding Type - Material weakness</p> <p>Criteria - The County is required to present its comprehensive annual financial report (CAFR) in accordance with generally accepted accounting principles (GAAP) as applicable to governmental entities.</p> <p>Condition - Instances of non-GAAP accounting methods were identified during the course of the financial statement audit, including appropriate capitalization of costs related to infrastructure, allocation of the net OPEB liability to all funds with eligible employees or retirees, revenue recognition for special assessments on the modified and full-accrual bases, revenue recognition for accounts receivable collected outside the County's period of availability, and appropriate valuation of alternative investments.</p> <p>Context - Items that were material have been corrected via restatement of opening balances, as required by GAAP.</p> <p>Cause - GAAP was not identified and applied appropriately to certain transactions.</p> <p>Effect - Certain balances were not stated correctly at the onset of the financial statement audit.</p> <p>Recommendation - We recommend that the County review the accounting principles applied to significant transaction cycles to ensure that they are in accordance with GAAP.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The items listed above were discovered by finance management and corrected during the course of the 2012 audit. Thorough discussion with the departments impacted by these changes has occurred. In depth review of accounting principles will be conducted and applied to significant transaction cycles to ensure that they are in accordance with GAAP.</p>

Macomb 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	<p>Finding Type - Material weakness</p> <p>Criteria - In order to protect against unintentional or intentional corruption or loss of data, the County should have appropriate controls over information technology.</p> <p>Condition - Certain individuals with administrative access also have the ability to post journal entries in IFAS (the County's main general ledger system) and Information Consulting Solutions (the financial accounting system used by the Drainage District component unit). In addition, certain key environmental controls are not present in either system.</p> <p>Context - An appropriate system of internal controls over information technology helps to ensure the integrity of data and protect it from unintentional or intentional misstatements, in addition to aiding in the operational efficiency of the County.</p> <p>Cause - Appropriate controls have not been established in these two systems to sufficiently address segregation of duties and environmental controls.</p> <p>Effect - Lack of appropriate controls could result in loss of data, business interruption, or manipulation of financial statement data.</p> <p>Recommendation - We recommend that the County institute additional controls, including segregation of duties, an additional level of review of journal entries posted by individuals with administrative access, and environmental controls and backup systems in order to provide appropriate safeguards over data.</p> <p>Views of Responsible Officials and Planned Corrective Actions - The security profiles of the individuals who had the ability to post journal entries in the County's main general ledger system have been changed to remove journal entry posting capabilities. Discussions will be held with officials on the Drainage District component unit to explore the administrative changes necessary to ensure compliance with this finding. The County is currently in the process of constructing a new data center that will ensure network redundancy.</p>

Macomb County, Michigan

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

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2012-03	<p>Finding Type - Significant deficiency</p> <p>Criteria - GAAP requires all expenditures and expenses to be recorded in the various funds at the time they are incurred. To the extent that such items are not paid before year end, an accounts payable liability should be recorded.</p> <p>Condition - The County's procedures to record accounts payable did not consistently identify the County's unpaid obligations at year end.</p> <p>Context - Some of the items identified related to the reimbursement of grant subrecipients, in which case a corresponding amount of accounts receivable would also be recorded.</p> <p>Cause - The County's process to identify accounts payable did not identify all items unpaid at year end.</p> <p>Effect - The County's liabilities at year end were understated by the amount of unrecorded accounts payable items. Since some of the unrecorded liabilities were related to reimbursements to other entities, accounts receivable from granting agencies were also understated.</p> <p>Recommendation - We recommend that the County perform a more detailed search for unrecorded liabilities at year end.</p> <p>Views of Responsible Officials and Planned Corrective Actions - Methods of review will be put into place for a thorough review of accounts payable and other potential unrecorded liabilities at year end. This will include notifications to departments as well as review by finance staff of documents sent to the finance department for processing.</p>

Macomb County, Michigan

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

Section III - Federal Program Audit Findings

Reference Number	Finding
2012-04	<p>Program Name - Workforce Investment Act Cluster - Includes ARRA (CFDA 17.258/17.259/17.260/17.278), Drug Forfeiture (CFDA 16.922), and Highway Safety Cluster - Includes ARRA (CFDA 20.205)</p> <p>Pass-through Entity - State Department Energy, Labor, and Economic Growth and Michigan Department of Transportation</p> <p>Finding Type - Material weakness</p> <p>Criteria - OMB Circular A-133 requires organizations to properly reflect federal expenditures in the schedule of expenditures of federal awards (SEFA).</p> <p>Condition - The SEFA included adjustments related to expenditures and other transactions that occurred at year end, resulting in revisions to correct the SEFA. The expenditures presented on the SEFA for WIA Cluster (CFDA 17.258/17.259/17.278/17.260) was adjusted by \$1,817,900, as a result of the initial SEFA being overstated. Additionally, expenditures of \$3,085,148 related to the Highway Safety Cluster (CFDA 20.205) and \$60,069 related to Federal Forfeitures (CFDA 16.922) were omitted from the SEFA. The adjustments were made as a result of either expenditures that were related to a subsequent period that were included on the SEFA or as a result of expenditures not identified and reported on the SEFA.</p> <p>Questioned Costs - None</p> <p>Context - The adjustments made to the expenditures reported on the schedule of expenditures of federal awards did directly affect major program determination.</p> <p>Cause and Effect - Internal control procedures over determining which expenditures should be reported on the SEFA did not operate effectively. This resulted in the County's schedule of expenditures of federal awards provided to the auditors being inaccurate on a program and total expenditure basis.</p> <p>Recommendation - Internal control procedures should be initiated and enforced to ensure the proper expenditures are reported in the schedule of expenditures of federal awards.</p>

Macomb 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 (Con't)	Views of Responsible Officials and Planned Corrective Actions - The findings listed above have all been corrected. The Department of Roads was previously reviewed under a separate audit resulting in the omission of this program on the County's SEFA. The Highway Safety Cluster is now combined with all other federal programs on the County's SEFA. In addition, the staff responsible for the Federal Forfeitures has been notified that these expenditures must be included on the SEFA. The reporting period of the Workforce Investment Act Cluster was changed during the 2012 audit. The amounts reported on the initial documents presented to the auditors represented the expenditures for the fiscal period used in prior years. The staff responsible for preparing the documents for the SEFA are now aware of the appropriate time period.

Reference Number	Finding
2012-05	Program Name - Community Development Block Grant Entitlement Cluster - Includes ARRA (CFDA 14.218/14.253) and Homeland Security (CFDA 97.067) Pass-through Entity - Michigan State Police (for Homeland Security only, CFDA 97.067) Finding Type - Material weakness and material noncompliance with laws and regulations Criteria - A-102 Common Rule required that for contracts and subawards greater than \$25,000, the required suspension and debarment certifications were not received. Condition - The County did not receive the required suspension and debarment certifications for certain subawards and contracts made under the CDBG Entitlement Grant and all subawards and one contract made under the Homeland Security Grant. Questioned Costs - None

Macomb 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 (Con't)	<p>Context - The County passes through a significant portion of the Homeland Security award and the CDBG Entitlement award.</p> <p>In two specific situations related to a subrecipient and a vendor in receipt of CDBG Entitlement funds, the County failed to receive the suspension and debarment certificate.</p> <p>In all subrecipient situations and one vendor contract where the County passed through over \$25,000 of Homeland Security Funds, the County failed to receive the suspension and debarment certificate.</p> <p>Subsequently, program personnel have confirmed that none of the current contractors and subrecipients were listed on the Government Services Administration electronic database as being debarred or suspended.</p> <p>Cause and Effect - Internal control procedures over suspension and debarment requirements did not operate effectively as required compliance requirements were not addressed and adequately documented. Inadequate monitoring of suspension and debarment could cause funds to be disbursed to vendors or subrecipients who are not eligible to have goods or services purchased with federal monies.</p> <p>Recommendation - Internal control procedures should be initiated and enforced to ensure that the appropriate suspension and debarment certifications are received.</p> <p>Views of Responsible Officials and Planned Corrective Actions - A letter has been sent to all departments in the County instructing them to conduct a review of the suspension and debarment list to assure vendors and subrecipients are not included on this list. Steps are in place to begin including a written certification from vendors and subrecipients that they are not suspended or disbarred from participating the federally funded programs.</p>

Macomb 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>Program Name - Homeland Security (CFDA 97.067)</p> <p>Pass-through Entity - Michigan State Police</p> <p>Finding Type - Significant deficiency and material noncompliance with laws and regulations</p> <p>Criteria - 2 CFR 3000 subpart 332 requires a pass-through entity to include a term or condition in any pass-through transaction that the participant of that transaction should comply with requirements under Circular A-133</p> <p>Condition - The County passed through approximately \$1.5 million to various communities during fiscal year 2012. The County did not communicate that the funds were federal and that the communities are subject to OMB Circular A-133 requirements. Subsequently, as a result of the audit findings, the County sent out a communication to all communities informing them that they were in receipt of federal funds awarded under CFDA # 97.067.</p> <p>Questioned Costs - None</p> <p>Context - The communities received approximately \$1.5 million during the fiscal year under audit.</p> <p>Cause and Effect - The County did not have adequate controls in place to ensure subrecipients received proper notification of the funding source. The lack of such notification could lead to noncompliance on the part of the subrecipients.</p> <p>Recommendation - Internal control procedures should be implemented to ensure that the County properly communicates federal grant awards to subrecipients.</p> <p>Views of Responsible Officials and Planned Corrective Actions - A letter has been sent to all departments in the County instructing them they must notify in writing to all subrecipients that the funding source for the expenditures are from federal grants. This may require them to obtain a single audit in accordance with Circular A-133. Steps are in place to begin including this language in future contracts.</p>