

County of Oakland, Michigan

**Federal Awards
Supplemental Information
September 30, 2015**

County of Oakland, Michigan

Contents

Independent Auditor's Reports:

Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	I
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2-3
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance	4-5
Schedule of Expenditures of Federal Awards	6-10
Notes to Schedule of Expenditures of Federal Awards	11-12
Schedule of Findings and Questioned Costs	13-16
Summary Schedule of Prior Audit Findings	17

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

Independent Auditor's Report

To the Board of Commissioners
County of Oakland, 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 the County of Oakland, Michigan (the "County") as of and for the year ended September 30, 2015 and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 21, 2016, which contained an unmodified opinion on the basic financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information. Our audit was conducted for the purpose of forming an opinion 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 March 21, 2016.

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

Plante & Moran, PLLC

June 15, 2016

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
County of Oakland, Michigan

We have audited, in accordance with 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 the County of Oakland, Michigan (the "County") as of and for the year ended September 30, 2015 and related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of Oakland, 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 a certain deficiency in internal control that we consider to be a material weakness.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the County's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as Finding 2015-001 to be a material weakness.

To Management and the Board of Commissioners
County of Oakland, Michigan

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Oakland, 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*.

County of Oakland, Michigan's Response to Finding

The County of Oakland, Michigan response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County of Oakland, 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 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 15, 2016

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

Independent Auditor's Report

To the Board of Commissioners
County of Oakland, Michigan

Report on Compliance for Each Major Federal Program

We have audited the County of Oakland, Michigan's (the "County") compliance with the types of compliance requirements described in the U.S. Office of 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 September 30, 2015. The County of Oakland, 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 the County of Oakland, 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 the County of Oakland, 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 the County of Oakland, Michigan's compliance.

To the Board of Commissioners
County of Oakland, Michigan

Opinion on Each Major Federal Program

In our opinion, the County of Oakland, Michigan complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2015.

Report on Internal Control Over Compliance

Management of the County of Oakland, 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 the County of Oakland, 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.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 15, 2016

Oakland County, Michigan

Schedule of Expenditures of Federal Awards Year Ended September 30, 2015

Federal Agency/Pass-through Agency/Program Title	CFDA Number		Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Agriculture:	10.550			\$ 15,801
Food Donation Program:				
Passed through Michigan Department of Education:				
National School Breakfast Program	10.553	(2)		93,215
National School Lunch Program	10.555	(2)		180,066
Child and Adult Care Food Program	10.558			<u>69,682</u>
Total passed through Michigan Department of Education				342,963
Passed through Michigan Department of Health and Human Services:				
Local Health Department SNAP - Ed	10.561	(1)	1540266-00	26,495
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557		1540390-00	2,444,971
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557		1540380-00	<u>141,259</u>
Total passed through Michigan Department of Health and Human Services				2,612,725
Passed through Workforce Development Agency State of Michigan (WDASOM) - State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	(1)	15152M1100S2518 15152M1100S2520	<u>339,272</u>
Total U.S. Department of Agriculture				3,310,761
U.S. Department of Commerce - Economic Adjustment Assistance	11.307	(3)		79,907
U.S. Department of Housing and Urban Development:				
Community Development Block Grant 09-10	14.218			35
Community Development Block Grant 10-11	14.218			4,522
Community Development Block Grant 11-12	14.218			130,228
Community Development Block Grants 12-13	14.218			1,159,878
Community Development Block Grant 13-14	14.218			2,949,371
Community Development Block Grant 14-15	14.218			1,450,835
Community Development Block Grant 15-16	14.218			3,675
Housing Counseling Assistance Program 14	14.169			18,748
Home Investment Partnership Program 08-09	14.239			159,140
Home Investment Partnership Program 10-11	14.239			30,054
Home Investment Partnership Program 11-12	14.239			148,820
Home Investment Partnership Program 12-13	14.239			605,700
Home Investment Partnership Program 13-14	14.239			674,694
Home Investment Partnership Program 14-15	14.239			996,257
Neighborhood Stabilization Program 08-09	14.218			137,662
Neighborhood Stabilization Program 10-11	14.218			770,035
Emergency Shelter Grants Program 2014	14.231			298,306
Passed through City of Pontiac:				
Pontiac Home Investment Partnership Program 09-10	14.239			18,220
Pontiac Home Investment Partnership Program 10-11	14.239			2,830
Pontiac Home Investment Partnership Program 11-12	14.239			22,898
Pontiac Home Investment Partnership Program 12-13	14.239			<u>177,580</u>
Total passed through City of Pontiac				221,528
Total U.S. Department of Housing and Urban Development				9,759,488

(1) Denotes the Supplemental Nutrition Assistance Program Cluster

(2) Denotes the Child Nutrition Cluster

(3) Denotes the Economic Development Cluster

Oakland County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2015

Federal Agency/Pass-through Agency/Program Title	CFDA Number		Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Justice:				
State Criminal Alien Assistance Program	16.606			\$ 59,985
Edward Byrne Memorial Justice Assistance Grant Program 12-15	16.738			11
Edward Byrne Memorial Justice Assistance Grant Program 13-16	16.738			79,394
Edward Byrne Memorial Justice Assistance Grant Program 14-17	16.738			124,855
Passed through Michigan Department of Health and Human Services -				
Juvenile Accountability Incentive Block Grants 14-15	16.523		JAIBG12-63001 3	18,165
Passed through Michigan State Police:				
Edward Byrne Memorial Justice Assistance Grant	16.738		72181-2-N.E.T.-15	154,000
Paul Coverdell 2014 Grant	16.742		2014-CD-BX-0049	<u>58,322</u>
Total passed through Michigan State Police				<u>212,322</u>
Total U.S. Department of Justice				494,732
U.S. Department of Labor - Passed through Workforce Development Agency -				
State of Michigan (WDASOM):				
WIA Local Administration AY-13	17.258	(4)	AA240991355A26	195,124
WIA Local Administration AY-13	17.259	(4)	AA240991355A26	209,236
WIA Local Administration AY-13	17.278	(4)	AA240991355A26	209,236
WIA Local Administration AY-14	17.258	(4)	AA253601455A26	75,763
WIA Local Administration AY-14	17.259	(4)	AA253601455A26	80,882
WIA Local Administration AY-14	17.278	(4)	AA253601455A26	99,311
WIA Adult AY-13	17.258	(4)	AA240991355A26	756,426
WIA Adult AY-14	17.258	(4)	AA253601455A26	2,786,512
WIA Youth AY-14	17.259	(4)	AA253601455A26	1,554,855
WIA Dislocated Worker AY-12	17.278	(4)	AA229421255A26	366,341
WIA Dislocated Worker AY-13	17.278	(4)	AA240991355A26	37,824
WIA Dislocated Worker AY-14	17.278	(4)	AA253601455A26	2,108,712
Wagner Peysers Employment Services AY-14	17.207	(5)	ES260561455A26	1,340,202
Wagner Peysers Employment Services AY-15	17.207	(5)	ES274971555A26	160,286
WIA SWA MWA SVCS CTR OPS AY-13	17.258	(4)	AA240991355A26	11,728
WIA SWA MWA SVCS CTR OPS AY-13	17.259	(4)	AA240991355A26	12,576
WIA SWA MWA SVCS CTR OPS AY-13	17.278	(4)	AA240991355A26	12,577
WIA SWA MWA SVCS CTR OPS AY-14	17.258	(4)	AA253601455A26	57,842
WIA SWA MWA SVCS CTR OPS AY-14	17.259	(4)	AA253601455A26	61,750
WIA SWA MWA SVCS CTR OPS AY-14	17.278	(4)	AA253601455A26	75,820
WIOA Adult AY-15 *	17.258	(4)	AA267861555A26	35,946
WIOA Youth AY-15 *	17.259	(4)	AA267861555A26	53,810
WIOA Dislocated Worker AY-15 *	17.278	(4)	AA267861555A26	33,839
Trade Adjustment Assistance Administrative Grant FY-15	17.245		TA243491355A26	103,000
Trade Adjustment Assistance 2009-2011 FY-15	17.245		TA243491355A26	961,246
Trade Adjustment Assistance 2002 FY-15	17.245		TA243491355A26	45,884
MWA Trade Adjustment Assistance FY-14	17.245		TA226631255A26	(366)
MWA Trade Adjustment Assistance FY-15	17.245		TA243491355A26	304,371
WIA Job Driven National Emergency #2622 Grant AY-14	17.277		EM-25864-14-60-A-26	93,422
Dislocated Worker Training (DWT) National Emergency Grant (NEG) #2619 AY-13	17.277		EM-24457-13-60-A-26	<u>63,063</u>
Total U.S. Department of Labor				11,907,218

(4) Denotes Workforce Investment Act Cluster

(5) Denotes Employment Services Cluster

* Effective July 1, 2015, the Workforce Innovation and Opportunity Act (WIOA) supersedes the Workforce Investment Act (WIA)

Oakland County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2015

Federal Agency/Pass-through Agency/Program Title	CFDA Number		Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Transportation - Passed through Michigan Department of State Police - Emergency Management Division - Hazardous Materials Emergency Planning	20.703		HM-HMP-0439-14-01-00	\$ 9,194
U.S. Environmental Protection Agency: Brownfield Assessment Grant	66.818			195,227
Congressionally Mandated Projects - OMI Segment 4 EPA Project	66.202		XP-00E01228-1	485,000
Passed through Michigan Department of Environmental Quality:				
State Drinking Water Revolving Fund Loan	66.468	(6)	FS97548712	7,544
State Drinking Water Revolving Fund Loan	66.468	(6)	7335-01	485,100
State Drinking Water Revolving Fund Loan	66.468	(6)	7406-01	561,015
State Clean Water Revolving Fund Loan	66.458	(7)	5618-01	1,392,767
EFSDS Middlebelt Tunnel	66.458	(7)	5493-01	2,202,884
Oakland Macomb Interceptor - Segment 2	66.458	(7)	5368-02	341,960
Oakland Macomb Interceptor - Segment 3	66.458	(7)	5368-03	12,230,261
Total passed through Michigan Department of Environmental Quality				17,221,531
Total U.S. Environmental Protection Agency				17,901,758
Social Security Administration - Social Security - Work Incentives - Planning and Assistance Program	96.008			159,200
U.S. Department of Health and Human Services: Passed through Workforce Development Agency State of Michigan (WDASOM): Temporary Assistance For Needy Families (TANF), Partnership, Accountability, Training, Hope (PATH)	93.558	(8)	1502MITANF	3,737,266
Passed through Michigan State Court Administrative Office - Child Support For Access and Visitation Programs	93.597		SCAO-2015-024	21,250
(6) Denotes DWRP/SRF Cluster				
(7) Denotes CWRP/SRF Cluster				
(8) Denotes TANF Cluster				

Oakland County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2015

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services (Continued):			
Passed through Michigan Department of Health and Human Services:			
Child Support Enforcement - Friend of the Court	93.563	CSFOC13 - 63001	\$ 7,419,358
Child Support Enforcement - Friend of the Court Federal Incentives Payments	93.563	CSFOC13 - 63001	1,597,121
Child Support Enforcement - Prosecuting Co-Up Reimbursement	93.563	CSPA13 - 63002	1,575,930
Foster Care - Title IV-E 14-16	93.658	PROFC-14-630012	96,234
Foster Care - Title IV-E 14-16	93.658	N/A	37,281
Federal Vaccine Shipped to Local Health Departments	93.268		1,096,224
Sexually Transmitted Disease (STD) Control	93.991	1540350-00	78,670
Immunization Cooperative Agreements - Immunization Action Plan (IAP)	93.268	1540200-00	491,881
Immunization Cooperative Agreements - Immunization Action Plan (IAP)	93.539	1540200-00	31,418
TB Control	93.116	1540365-00	60,324
HIV Prevention	93.940	1540170-00	261,664
Other - MCH - Women	93.994	1540321-00	66,252
Other - MCH - Children	93.994	1540320-00	66,252
Other - MCH - Varied	93.994	1540322-00	81,802
MCH - Nurse Family Partnership Services	93.994	1540312-00	107,151
CHSCS Care Medicaid Outreach	93.778 (9)	1540085-00	69,594
Children's Special Health Care Services (CHSCS) Outreach & Advocacy	93.778 (9)	1540065-00	142,500
Medicaid Outreach	93.778 (9)	1540305-00	150,989
Great Start Trauma Informed System Community	93.110	1540129-00	4,844
Laboratory Services Bio	93.074	1540245-00	57,447
Nurse Family Partnership Services	93.505	1540311-00	161,040
Nurse Family Partnership Services	93.778 (9)	1540311-00	232,121
STD Control VD Reimbursement - Adolescent STD Screening	93.997	1540010-00	73,000
Public Health Emergency Preparedness (PHEP) 10/1/14 - 6/30/15	93.069	1540025-00	238,937
Public Health Emergency Preparedness (PHEP) CRI 10/1/14 - 6/30/15	93.069	1540035-00	165,222
Public Health Emergency Preparedness (PHEP) 7/1/15 - 9/30/15	93.069	1540030-00	65,664
Public Health Emergency Preparedness (PHEP) CRI 7/1/15 - 9/30/15	93.069	1540036-00	53,075
Public Health Emergency Preparedness (PHEP) Ebola Virus Disease (EVD) Phase II	93.069	1540037-00	25,592
West Nile Virus Community	93.323	1540378-00	6,000
HIV Surveillance Support	93.944	1540185-00	10,500
HIV Surveillance Support	93.940	1540185-00	7,000
HIV Surveillance Support	93.941	1540185-00	17,500
Gonococcal Isolate Surveillance Project	93.997	1540127-00	10,000
Building Healthy Communities	93.991	1540039-00	45,398
Total passed through Michigan Department of Health and Human Services			14,603,985
Passed through Oakland County Community Mental Health Authority:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	20150996	455,381
Transforming Youth Suicide Prevention	93.243	20121486	3,108
Total passed through Oakland County Community Mental Health Authority			458,489
Passed through Oakland University -			
CDC Racial and Ethnic Approaches to Community Health	93.738	1U58DP005885-01	33,303
Total U.S. Department of Health and Human Services			18,854,293

(9) Denotes Medicaid Cluster

Oakland County, Michigan

Schedule of Expenditures of Federal Awards (Continued) Year Ended September 30, 2015

Federal Agency/Pass-through Agency/Program Title	CFDA Number	Pass-through Entity Identifying Number	Federal Expenditures
U.S. Department of Homeland Security:			
Passed through Michigan Department of State Police - Emergency Management:			
Division - Emergency Management Planning Grant	97.042	EMW-2015-EP-00029-S01	\$ 52,331
Public Assistance Grant	97.036	FEMA-4195-DR-MI	25,073
Public Assistance Grant - WRC	97.036	FEMA-4195-DR-MI 125-UJZPI-00	<u>678,279</u>
Total passed through Michigan Department of State Police - EMD			755,683
Passed through the County of Macomb:			
2011 SHSGP Oakland	97.067	EMW-2011-SS-00103	7,969
2011 SHSGP	97.067	EMW-2011-SS-00103	9,286
2012 SHSGP Oakland	97.067	EMW-2012-SS-00055	78,709
2013 SHSGP Oakland	97.067	EMW-2013-SS-00049	592,351
2014 SHSGP	97.067	EMW-2014-SS-00059	<u>374,380</u>
Total passed through County of Macomb			<u>1,062,695</u>
Total passed through Michigan Department of State Police			1,818,378
Passed through Michigan Department of Natural Resources -			
Marine Safety Program	97.012	MS15-041	<u>62,750</u>
Total U.S. Department of Homeland Security			1,881,128
U.S. Department of Treasury - Neighborworks America - Passed through Michigan State -			
Passed through Michigan State Housing Development Authority -			
Housing Development Authority - 2014 MSHDA NFMC Grant	21.000	PLI13-7X1350	<u>7,343</u>
Total federal awards			<u>\$ 64,365,022</u>

County of Oakland, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2015

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the County of Oakland, Michigan under programs of the federal government for the year ended September 30, 2015. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of the County of Oakland, Michigan, it is not intended to and does not present the financial position, changes in net assets or cash flows of the County of Oakland, Michigan.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-133, *Cost Principles for A-87*, or the cost principles contained in Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

County of Oakland, Michigan

Notes to Schedule of Expenditures of Federal Awards Year Ended September 30, 2015

Note 3 - 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 Grant	10.561	\$ 320,930
Economic Adjustment Assistance	11.307	79,907
Community Development Block Grant Cluster	14.218	3,145,817
Juvenile Accountability Incentive Block Grants	16.523	11,239
Justice Assistance Grants	16.738	157,454
Wagner Peyser Employment Services	17.207	1,316,787
Trade Adjustment Assistance	17.245	1,357,264
Workforce Investment Act (WIA)	17.278	
	17.259	
	17.258	8,252,059
Workforce Innovation and Opportunity Act (WIOA)	17.278	
	17.259	
	17.258	123,595
Workforce Investment Act National Emergency Grants	17.277	156,485
Brownfield Assessment Grant	66.818	165,169
Temporary Assistance for Needy Families (TANF), Partnership, Accountability, Training, Hope (PATH)	93.558	3,390,951
Urban Area Security Initiative	97.067	388,718
	Total	<u>\$ 18,866,375</u>

County of Oakland, Michigan

Schedule of Findings and Questioned Costs Year Ended September 30, 2015

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

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

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

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

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
93.563	Child Support Enforcement, Title IV
66.458	State Revolving Fund
10.557	WIC
93.558	TANF Cluster
14.218	Community Development Block Grant

Dollar threshold used to distinguish between type A and type B programs: \$1,930,951

Auditee qualified as low-risk auditee? Yes No

County of Oakland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2015

Section II - Financial Statement Audit Findings

Reference Number	Finding
2015-001	<p>Finding Type - Material weakness</p> <p>Criteria - Capital assets and related debt should be recorded in the fund that will benefit from the activities of the capital assets.</p> <p>Condition - Upon the completion of certain debt funded capital projects in fiscal year 2015, it was determined by the County that certain capital items, including the related debt, were improperly recorded in an enterprise fund in prior years, rather than in the Drainage District component unit.</p> <p>Context - In August 2012, Oakland County entered into a contractual agreement with a local municipality to acquire its sanitary sewage treatment plant, as well as to take temporary ownership over its water and sewer lines. At the time, certain capital projects and related debt were recorded in an enterprise fund. In fiscal year 2015, the County moved approximately \$11,500,000 of capital assets and debt from the enterprise fund to the Drainage District component unit.</p> <p>Cause - The project information received at the time of the transaction was not analyzed to determine which fund should report the assets and debt. The County did not analyze the projects and scope of work until the projects were completed.</p> <p>Effect - In fiscal year 2015, the County moved approximately \$11,500,000 of capital assets and approximately \$12,000,000 of debt from an enterprise fund to the Drainage District component unit.</p> <p>Recommendation - The County should implement a review process at the time significant transactions occur to ensure that all items are recorded in the proper funds.</p>

County of Oakland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2015

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2015-001 (Cont.)	<p>Views of Responsible Officials and Planned Corrective Actions - The condition cited above is related to the transactions whereby the County issued debt to acquire the Pontiac Wastewater Treatment Facility under Chapter 20 of the Drain Code of 1956, as amended, and the establishment of 40-year contracts for the Pontiac Water Supply System and the Pontiac Sewage Disposal System. The Pontiac Wastewater Treatment Facility acquisition was facilitated under Chapter 20 of the Drain Code and is therefore accounted for as a separate Drainage District and reported as a component unit in the County's Comprehensive Annual Financial Report (CAFR). The water and sewer system contracts were facilitated under Act 342 and therefore are accounted for as separate enterprise funds.</p> <p>When the Wastewater Treatment Facility and the sewer system were under the City of Pontiac's authority, these operations were accounted for as one sewer fund. The City of Pontiac also maintained a separate water system fund. In total, the City of Pontiac maintained two funds, a Water Fund and a Sewer Fund. However, because of the structure of the transition to Oakland County, the Pontiac Wastewater Treatment Facility is accounted for as a separate Drainage District (component unit), the Sewer Fund is accounted for as a separate enterprise fund, and the water system is accounted for as a separate enterprise fund. In total, the County has three separate funds.</p> <p>At the time of transition in August 2012, there were several projects that were already initiated by the City of Pontiac under their one Sewer Fund. Specifically, there were two projects where Pontiac issued debt for system improvements that benefited both the Pontiac Wastewater Treatment Facility and the sewer system. The delineation between treatment facility improvements and sewer system improvements was not specifically identified at the time of the transition and said projects and related debt were retained and reported under the Pontiac Sewer Fund. The repayment of the related debt was included in the applicable sewer rates when under the City of Pontiac's authority and that is still the case under the County's control.</p>

County of Oakland, Michigan

Schedule of Findings and Questioned Costs (Continued) Year Ended September 30, 2015

Section II - Financial Statement Audit Findings (Continued)

Reference Number	Finding
2015-001 (Cont.)	<p>Upon notice from the project engineer that the projects were complete, the actual costs for the capital projects were used to determine the split between the benefit to the Pontiac Wastewater Treatment Facility and the Pontiac Sewer System. Based on the information received from the project engineer, it was determined that one of the projects was split with 54 percent benefit to the Pontiac Sewer Fund and 46 percent benefit to the Pontiac Wastewater Treatment Facility. The other project was determined to be 100 percent benefit to the Pontiac Wastewater Treatment Facility. As a result, the corresponding assets and related debt were moved from the Pontiac Sewer System Fund (enterprise fund) to the Pontiac Wastewater Treatment Facility (component unit) to be reported in the proper funds.</p> <p>As previously stated, all of the debt for said projects is covered by the sewer rates of those sewer systems connected to the Pontiac Wastewater Treatment Facility. At no time during the fiscal year 2012 through fiscal year 2015 reporting period were there any improper debt costs apportioned to the Pontiac Sewer Fund.</p> <p>This is a very complex, unique, and rare circumstance. All new Pontiac-related projects since the August 2012 transition have been initiated under the appropriate fund (i.e., Pontiac Wastewater Treatment Facility, Pontiac Sewer Fund, or Pontiac Water Fund), so there is no risk of combined projects that need to be split between multiple funds. Furthermore, if this type of system transition transaction occurs in the future, the County will take additional steps to analyze the transaction at the time of transition to record the assets and related debt in the proper funds.</p>

Section III - Federal Program Audit Findings

None

County of Oakland, Michigan

Summary Schedule of Prior Audit Findings Year Ended September 30, 2015

<u>Prior Year Finding Number</u>	<u>Federal Program</u>	<u>Original Finding Description</u>	<u>Status</u>	<u>Planned Corrective Action</u>
2014-003	U.S. Department of Agriculture, Special Supplemental Nutrition Program for Women, Infants, and Children (WIC), CFDA No. 10.557	Lack of standard procedures related to performing and maintaining documentation of suspension and debarment.	Corrected	N/A