

**WASHTENAW COUNTY EMPLOYMENT TRAINING  
AND COMMUNITY SERVICES FUND  
Ann Arbor, Michigan**

**SUPPLEMENTARY INFORMATION TO  
FINANCIAL STATEMENTS**

**(FEDERAL AWARDS)**

**FOR THE YEAR ENDED DECEMBER 31, 2012**



**WASHTENAW COUNTY EMPLOYMENT TRAINING  
AND COMMUNITY SERVICES FUND**

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**INDEPENDENT AUDITOR'S REPORT  
ON SUPPLEMENTARY FINANCIAL INFORMATION**

To the County Board of Commissioners  
Washtenaw County Employment Training  
and Community Services Fund  
Ann Arbor, Michigan

We have audited the financial statements of the Washtenaw County Employment Training and Community Services Fund (the "ETCS Group"), a special revenue fund of Washtenaw County, Michigan, as of and for the year ended December 31, 2012, and have issued our report thereon dated March 25, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole.

The accompanying schedule of expenditures of federal awards is presented for purposes 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 financial statements. The supplementary 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. Such 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

  
Certified Public Accountants

March 25, 2013

**WASHTENAW COUNTY, MICHIGAN  
EMPLOYMENT TRAINING AND  
COMMUNITY SERVICES FUND**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2012**

<b>FEDERAL AGENCY/PASS-THROUGH GRANTOR /PROGRAM TITLE</b>	<b>Catalogue of Federal Domestic Assistance</b>	<b>Expenditures</b>
<b>U.S. DEPARTMENT OF AGRICULTURE</b>		
Passed-through Area Agency on Aging 1-B:		
Food Distribution - Senior Nutrition Program	10.555	\$ 137,288
Passed-through Michigan Strategic Fund / Workforce Development Agency:		
State Administration Matching Grants for the Supplemental Nutrition Assistance Program	10.561	156,800
Passed-through Michigan Department of Education:		
Summer Food Service Program for Children	10.559	52,703
Emergency Food Assistance Program - Administration	10.568	34,019
		86,722
<b>Total U.S. Department of Agriculture</b>		380,810
<b>U.S. DEPARTMENT OF LABOR</b>		
Passed-through Michigan Strategic Fund / Workforce Development Agency:		
Employment Service/Wagner-Peyser Funded Activities	17.207	611,515
RES/REA EUC Administration	17.225	18,020
Trade Adjustment Assistance	17.245	487,308
Trade Adjustment Assistance - 2002	17.245	613
Trade Adjustment Assistance - 2009/2011	17.245	97,422
Workforce Investment Act Cluster -		
Adult Program	17.258	751,789
Youth Activities	17.259	1,360,191
Dislocated Workers	17.278	1,068,538
ARRA - Workforce Investment Act -		
Dislocated Workers	17.278	49,308
		4,444,704
Passed-through Macomb/St. Clair Michigan Works!		
H-1B Job Training Grants - Older Worker Initiative	17.268	8,750
<b>Total U.S. Department of Labor</b>		4,453,454



**WASHTENAW COUNTY, MICHIGAN  
EMPLOYMENT TRAINING AND  
COMMUNITY SERVICES FUND**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2012**

<b><u>FEDERAL AGENCY/PASS-THROUGH GRANTOR /PROGRAM TITLE</u></b>	<b><u>Catalogue of Federal Domestic Assistance</u></b>	<b><u>Expenditures</u></b>
<b>U.S. DEPARTMENT OF ENERGY</b>		
Passed-through Michigan Department of Human Services:		
Weatherization Assistance for Low-Income Persons	81.042	\$ 241,977
ARRA - Weatherization Assistance for Low-Income Persons	81.042	<u>319,137</u>
<b>Total U.S. Department of Energy</b>		<u>561,114</u>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>		
Passed-through Area Agency on Aging 1-B:		
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	<u>503,693</u>
Passed-through Michigan Department of Human Services:		
Low-Income Home Energy Assistance - Crisis Assistance	93.568	8,815
Community Services Block Grant	93.569	<u>631,251</u>
		<u>640,066</u>
Passed-through Michigan Strategic Fund / Workforce Development Agency:		
Temporary Assistance for Needy Families	93.558	<u>945,664</u>
<b>Total U.S. Department of Health and Human Services</b>		<u>2,089,423</u>
<b>CORPORATION FOR NATIONAL SERVICE</b>		
Direct Program - Foster Grandparent Program	94.011	<u>301,316</u>
<b>Total Corporation for National Service</b>		<u>301,316</u>
<b>TOTAL EXPENDITURE OF FEDERAL AWARDS</b>		<u><u>\$ 7,786,117</u></u>

**WASHTENAW COUNTY EMPLOYMENT TRAINING  
AND COMMUNITY SERVICES FUND**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the Washtenaw County Employment Training and Community Services Fund (the "ETCS Group") for the year ended December 31, 2012. Expenditures reported on the Schedule are reported on the same basis of accounting, the modified accrual basis, as the 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, *Cost Principles for State, Local, and Indian Tribal Governments*, 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 financial statements.

Revenue has been accrued at December 31, 2012, to match allowable expenditures incurred during the year for each program. Grant funds received in advance that are in excess of incurred costs have been reflected as deferred revenue. All year-end accruals are considered to have met the modified accrual basis revenue recognition criteria of measurability and availability.

Because the Schedule presents only a selected portion of the operations of the ETCS Group, it is not intended to and does not present the financial position or changes in net assets of the ETCS Group.

**NOTE 2 - SUBRECIPIENTS:**

For the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the Washtenaw County Employment Training and Community Services Fund provided federal awards to subrecipients as follows:

<u>Program</u>	<u>Amount</u>
Employment Services	\$ 418,323
Food Stamp Program Emp/Trng	132,799
Temporary Assistance to Needy Families TANF	650,395
Workforce Investment Act	<u>1,461,025</u>
Total	<u>\$ 2,662,542</u>

**NOTE 3 - RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:**

The following schedule reconciles the intergovernmental revenue reported on the December 31, 2012 financial statements to the federal award expenditures reported in the Schedule of Expenditures of Federal Awards:

Revenue per Financial Statements –	
Intergovernmental	\$ 8,130,780
Less – State	( 344,663)
Total Federal Award Expenditures	<u>\$ 7,786,117</u>

**WASHTENAW COUNTY EMPLOYMENT TRAINING  
AND COMMUNITY SERVICES FUND**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**NOTE 4 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) AWARD  
EXPENDITURES:**

The following is a summary of ARRA Award Expenditures as reported in the Schedule of Expenditures of Federal Awards:

CFDA #17.278	WIA Dislocated Workers	\$ 49,308
CFDA #81.042	Weatherization Assistance for Low-Income Persons	<u>319,137</u>
		<u>\$ 368,445</u>



**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL  
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER  
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENTAL AUDITING STANDARDS***

To the County Board of Commissioners of  
Washtenaw County Employment Training and  
Community Services Fund  
Ann Arbor, 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 Washtenaw County Employment Training and Community Services Fund (the "ETCS Group"), a special revenue fund of Washtenaw County, Michigan, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise ETCS Group's basic financial statements, and have issued our report thereon dated March 25, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the ETCS Group'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ETCS Group's internal control. Accordingly, we do not express an opinion on the effectiveness of the ETCS Group's internal control.

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. 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.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the ETCS Group'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*.



## 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.

*Stewart Beaumais & Whipple*  
Certified Public Accountants

March 25, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT  
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the County Board of Commissioners  
Washtenaw County Employment Training and  
Community Services Fund  
Ann Arbor, Michigan

**Report on Compliance for Each Major Program**

We have audited the Washtenaw County Employment Training and Community Services Fund (the "ETCS Group"), a special revenue fund of Washtenaw County, Michigan's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the ETCS Group's major federal programs for the year ended December 31, 2012. The ETCS Group'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 its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the ETCS Group'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 ETCS Group'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 ETCS Group's compliance.

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

In our opinion, the Washtenaw County Employment Training and Community Services Fund 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 an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 12-02. Our opinion on each major federal program is not modified with respect to this matter.

The ETCS Group's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The ETCS Group'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 the ETCS Group 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 ETCS Group'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 ETCS Group'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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 12-01 and 12-02 that we consider to be significant deficiencies.

The ETCS Group's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The ETCS Group'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.

  
Certified Public Accountants

March 25, 2013



**WASHTENAW COUNTY EMPLOYMENT TRAINING  
AND COMMUNITY SERVICES FUND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Section I – Summary of Auditor's Results:**

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal controls over financial reporting:

Material weakness(es) identified? \_\_\_\_\_ yes      x   no

Significant deficiency(ies) that are not considered to be material weaknesses? \_\_\_\_\_ yes      x   none reported

Noncompliance material to financial statements noted? \_\_\_\_\_ yes      x   no

**Federal Awards**

Internal Control over major programs:

Material weakness(es) identified? \_\_\_\_\_ yes      x   no

Significant deficiency(ies) that are not considered to be material weaknesses?   x   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 Circular A-133, Section 510(a)?   x   yes    \_\_\_\_\_ no

**Identification of Major Programs:**

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA # 17.207	Employment Services
CFDA # 81.042	Weatherization
CFDA # 93.045	Special Programs for the Aging – Title III, Part C – Nutrition Services
CFDA # 94.011	Foster Grandparent Program

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

Auditee qualified as low-risk auditee?   x   yes    \_\_\_\_\_ no



**WASHTENAW COUNTY EMPLOYMENT TRAINING  
AND COMMUNITY SERVICES FUND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**Section II – Financial Statement Findings:**

There were no financial statement findings.

**Section III – Federal Award Findings and Questioned Costs:**

The following is considered a significant deficiency in internal control over compliance with certain Davis-Bacon Act requirements.

**Item: 12-01**

**Program:** Weatherization for Low Income Persons and ARRA Weatherization Assistance for Low-Income Persons, CFDA #81.042

**Federal Agency:** U.S Department of Energy

**Pass Through Entity:** Michigan Department of Health and Human Services

**Type:** Significant deficiency in internal control over compliance with Davis - Bacon Act (the "Act") requirements.

**Criteria:** Per the compliance supplement for the Act, nonfederal entities subject to the Act's requirements must require contractors and subcontractors to submit to the non-Federal entity weekly certified payrolls.

**Condition:** During our test work, we selected 16 certified payrolls from various pay periods from the 11 major vendors utilized. Of the 16 certified payrolls selected, 8 were not readily available and/or completed at the time of the audit. Subsequent to the completion of fieldwork, the entity was able to gather the requested documentation, which addressed the compliance requirements of the Act.

**Cause:** During the fiscal year, the entity experienced employee restructuring that resulted in the loss of a full-time employee solely devoted to overseeing compliance of the Act for its contractors and subcontractors. The entity did not have in its internal control system a monitoring function to ensure certified payrolls were being timely submitted.

**Effect:** The entity increases the risk of potential noncompliance with Davis - Bacon Act requirements. One such potential for noncompliance could occur if a contractor went out of business and subsequent retrieval of the certified payroll information could no longer be accomplished.

**Questioned Cost:** None

**Recommendation:** We recommend that the entity implement procedures, most specifically a monitoring function in its internal control system over the applicable Davis-Bacon Act compliance requirements, to reduce the likelihood of potential noncompliance.

**WASHTENAW COUNTY EMPLOYMENT TRAINING  
AND COMMUNITY SERVICES FUND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**View of responsible officials and corrective action:**

As referenced above, ETCS Group employed one FTE dedicated to overseeing Davis-Bacon compliance for ARRA Weatherization projects specifically. This position was eliminated in early 2012 due to the reduction of ARRA funding. Currently, Davis-Bacon compliance oversight for both HUD grants and Weatherization projects is being handled by a single FTE. A Davis Bacon Act Weatherization Compliance Policy has been developed to ensure that the Davis-Bacon requirements are met for all programs

**12-02 Monitoring of Sub-Recipient Service Providers**

**Program:** Workforce Investment Act: Adult Programs CFDA# 17.258, Youth Activities CFDA# 17.259 and Dislocated Work CFDA#17.278

**Federal Agency:** U. S. Department of Labor

**Pass Through Entity:** Passed through Michigan Strategic Fund / Workforce Development Agency

**Type:** Significant deficiency in internal control over compliance and noncompliance with subrecipient monitoring requirements per 20 CFR section 667.400(c).

**Criteria:** As the subrecipient of WIA funds, the ETCS Group must conduct regular oversight and monitoring of its WIA activities and those of its subrecipients and contractors in order to:

1. Ensure that expenditures have been made against the correct cost categories and within the cost limitations specified in the Act and these regulations.
2. Ensure there is compliance with other provisions of the Act and regulations and other applicable laws and regulations.
3. Provide technical assistance as necessary and appropriate

**Condition:** During the audit it was communicated that the ETCS Group had not undertaken on-site fiscal monitoring of the service providers contracted to provide program services for various grants administered. It was identified that there was a formal review of the service provider's most recent audit/single audit reports and there is a review of invoices and supporting information provided.

**Cause:** The ETCS Group was in the process of reorganizing departments within the County and the necessary personnel to be utilized for the monitoring procedures were involved in other aspects of the department operations and development/revision of internal procedures.

**Effect:** The monitoring of service providers is required to ensure the costs requested for reimbursement are supported by the internal records of the service provider as well as to ensure compliance with the applicable Federal and State regulations. If the appropriate information is not maintained by the service providers the eligibility of the expenditures reimbursed could be questioned.

**Recommendation:** We recommend that the ETCS Group undertake site visits of their service providers to ensure that the fiscal records are maintained to support the costs requested for reimbursement.

**WASHTENAW COUNTY EMPLOYMENT TRAINING  
AND COMMUNITY SERVICES FUND**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2012**

**View of Auditee and Planned Action:**

ETCS Group is scheduling fiscal monitoring visits with the six Service Providers in April and May of 2013 to ensure that expenditures have been made against the correct cost categories and within the cost limitations specified in the Act and these regulations. The monitoring will include the last contract period as well as the current contract period. ETCS Group discussed this approach and timeline with our State of Michigan Workforce Development Agency monitor in June of 2012, and no objections were raised. The Review Guides for the Workforce Development Agency Office of Audit and Financial Compliance will be utilized during the fiscal monitoring, as suggested by the State of Michigan Monitor.

**Section IV – Previous Year Findings:**

There were no financial statement findings or Federal Award Findings and Questioned Costs in the previous year.