

County of Kent,
Michigan



Year Ended
December 31,
2016

Single Audit Act
Compliance

COUNTY OF KENT, MICHIGAN

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**INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

June 19, 2017

Honorable Members of the
Board of Commissioners
County of Kent
Grand Rapids, 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 Kent, Michigan* (the "County"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 19, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Rehmann Robson LLC

COUNTY OF KENT, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Agriculture					
Child Nutrition Cluster:					
Breakfast Program	10.553	MDE	41-000-8003A	\$ -	\$ 33,172
Lunch Program	10.555	MDE	41-000-8003A	-	93,612
Commodities (non-cash assistance)	10.555	MDE	41-000-8003	-	6,826
				<u>-</u>	<u>133,610</u>
Supplemental Nutrition Program for Women, Infants, and Children (WIC):					
Resident Services Administration (FY 2016)	10.557	MDHHS	IW100342	182,164	2,312,011
Resident Services Administration (FY 2017)	10.557	MDHHS	IW100342	59,578	780,793
Breastfeeding Peer Counseling (FY 2016)	10.557	MDHHS	W500342/IW100342	-	161,033
Breastfeeding Peer Counseling (FY 2017)	10.557	MDHHS	W500342/IW100342	-	53,677
				<u>241,742</u>	<u>3,307,514</u>
Farm and Ranch Lands Protection Program	10.913	Direct	-n/a-	-	58,500
Total U.S. Department of Agriculture				<u>241,742</u>	<u>3,499,624</u>
U.S. Department of Housing and Urban Development					
Community Development Block Grant:					
2011-2012 Award	14.218	Direct	B-11-UC-26-0004	-	39,189
2012-2013 Award	14.218	Direct	B-12-UC-26-0004	-	87,478
2013-2014 Award	14.218	Direct	B-13-UC-26-0004	87,014	237,710
2014-2015 Award	14.218	Direct	B-14-UC-26-0004	119,646	245,518
2015-2016 Award	14.218	Direct	B-15-UC-26-0004	216,835	449,650
2016-2017 Award	14.218	Direct	B-16-UC-26-0004	103,522	265,691
				<u>527,017</u>	<u>1,325,236</u>
Emergency Solutions Grant:					
Homelessness Prevention and Rapid Rehousing Program	14.231	Direct	E-14-UC-26-0004	129,775	135,464
Home Investment Partnerships Program (HOME):					
2013-2014 Award	14.239	Direct	M-13-UC-26-0221	-	70,159
2014-2015 Award	14.239	Direct	M-14-DC-26-0221	-	30,024
2015-2016 Award	14.239	Direct	M-15-DC-26-0221	-	32,145
2016-2017 Award	14.239	Direct	M-16-DC-26-0221	-	2,211
				<u>-</u>	<u>134,539</u>
Continuum of Care:					
Sponsor-based Rental Assistance 2015-2016	14.267	Direct	MI0174L5F061306	191,366	196,728
Sponsor-based Rental Assistance 2016-2017	14.267	Direct	MI0174L5F061407	221,078	227,158
Tenant-based Rental Assistance 2015-2016	14.267	Direct	MI0173L5F061306	172,235	186,052
Tenant-based Rental Assistance 2016-2017	14.267	Direct	MI0173L5F061407	399,832	400,547
Sponsor-based Rental Assistance 2015-2016	14.267	Direct	MI0175L5F061306	74,070	75,914
				<u>1,058,581</u>	<u>1,086,399</u>
Section 8 Housing Choice Voucher Program:					
Housing Choice Vouchers 2015-2016 Award	14.871	Direct	MI198VO	-	199,690
Housing Choice Vouchers 2016-2017 Award	14.871	Direct	MI198VO	-	3,671,766
Family Services Coordinator	14.871	Direct	MI198FS	-	70,107
Veterans 2015-2016 Award	14.871	Direct	MI198VO	-	56,735
Veterans 2016-2017 Award	14.871	Direct	MI198VO	-	7,330
				<u>-</u>	<u>4,005,628</u>
Lead-based Paint Hazard Control Grant	14.900	CGR	MILHB0437-12	-	2,125
Total U.S. Department of Housing and Urban Development				<u>1,715,373</u>	<u>6,689,391</u>

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COUNTY OF KENT, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Justice					
National Institute of Justice Research, Evaluation and Development Project Grants	16.560	Direct	2014-DN-BX-K064	\$ -	\$ 78,420
State Criminal Alien Assistance Program	16.606	Direct	2016-AP-BX-0671	-	66,091
Enforcing Underage Drinking laws Program	16.727	MSP	AL-16-19	-	6,996
Justice Assistance Grant (JAG)Cluster: Metropolitan Enforcement Team (MET)	16.738	CGR	2015-MU-BX-0964	-	14,111
Edward Byrne Memorial Justice Assistance Grant Program	16.738	CGR	2014-DJ-BX-0567	-	71,010
				-	85,121
Equitable Sharing Program	16.922	Direct	MI4114100	89,603	100,989
Total U.S. Department of Justice				89,603	337,617
U.S. Department of Transportation					
Strategic Traffic Enforcement - OWI	20.600	WYO	PT-16-29	-	42,224
Hazardous Materials Emergency Planning	20.703	MSP	HM-HMP-0471-15-01-00	-	17,917
Total U.S. Department of Transportation				-	60,141
U.S. Environmental Protection Agency					
Non-Community Water Supply (FY 2016)	66.468	MDEQ	FS97548713	-	1,149
Non-Community Water Supply (FY 2016)	66.468	MDEQ	FS97548714	-	2,240
Non-Community Water Supply (FY 2017)	66.468	MDEQ	FS97548715	-	6,053
				-	9,442
U.S. Department of Health and Human Services					
Public Health Emergency Preparedness:					
Bioterrorism Supplemental (10/2016 to 6/2017)	93.069	MDHHS	NU90TP000528	-	40,450
Bioterrorism Supplemental (7/2016 to 9/2016)	93.069	MDHHS	NU90TP000528	-	49,323
Bioterrorism Supplemental (10/2015 to 6/2016)	93.069	MDHHS	NU90TP000528	-	120,767
Ebola Virus Disease Phase II (FY 2016)	93.069	MDHHS	NU90TP000528	-	31,618
Ebola Virus Disease Phase II (FY 2017)	93.069	MDHHS	NU90TP000528	-	3,435
Bioterrorism Lab Services (FY 2016)	93.069	MDHHS	NU90TP000528	-	15,000
Bioterrorism Lab Services (FY 2016)	93.069	MDHHS	NU90TP000528	-	7,500
Bioterrorism Lab Services (FY 2017)	93.069	MDHHS	NU90TP000528	-	20,000
				-	288,093
Tuberculous Control Program:					
Tuberculosis Control Program (FY 2016)	93.116	MDHHS	1U52PS00469301	-	33,678
Tuberculosis Control Program (FY 2017)	93.116	MDHHS	1U52PS00469301	-	24,925
				-	58,603
Sexual Violence Prevention:					
Rape Prevention Education (FY 2016)	93.136	MDHHS	1VFCE002229	-	85,540
Rape Prevention Education (FY 2017)	93.136	MDHHS	1VFCE002229	-	27,675
				-	113,215
Immunization:					
Immunization Action Plan (IAP) (FY 2016)	93.268	MDHHS	H23 CCH522556	-	54,195
Immunization Action Plan (IAP) (FY 2017)	93.268	MDHHS	H23 CCH522556	-	46,675
Local Public Health Billing (FY 2016)	93.268	MDHHS	1H23IP000940	-	14,019
Vaccines (non-cash assistance)	93.268	MDHHS	-n/a-	-	1,169,093
				-	1,283,982

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COUNTY OF KENT, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Health and Human Services (Continued)					
West Nile Virus Community Surveillance (FY 2016)	93.323	MDHHS	U50CK000369	\$ -	\$ 6,500
Affordable Care Act Maternal, Infant, and Early Childhood Home Visitation Program:					
Expansion Grant Seed Funding (FY 2016)	93.505	MDHHS	D89MC26358	-	204,706
Prevention and Public Health Fund:					
Capacity Assistance for Immunizations (FY 2016)	93.539	MDHHS	H23 IP000752	-	191,485
Capacity Assistance for Immunizations (FY 2017)	93.539	MDHHS	H23 IP000752	-	28,608
				-	220,093
Child Support Enforcement:					
Title IV-D - Incentive Payments	93.563	MDHHS	CSFOC13-41001	-	813,040
Title IV-D - Incentive Payments	93.563	MDHHS	CSFOC17-41001	-	251,569
Title IV-D - Friend of the Court	93.563	MDHHS	CSFOC13-41001	-	3,198,433
Title IV-D - Friend of the Court	93.563	MDHHS	CSFOC17-41001	-	1,041,675
Title IV-D - Prosecuting Attorney	93.563	MDHHS	CSPA13-41002	-	943,754
Title IV-D - Prosecuting Attorney	93.563	MDHHS	CSPA17-41002	-	311,447
				-	6,559,918
Grants to States for Access and Visitation Programs:					
Access and Visitation Grant (FY 2016)	93.597	SCAO	SCAO-2016-022	-	10,340
Access and Visitation Grant (FY 2017)	93.597	SCAO	SCAO-2017-020	-	1,170
				-	11,510
Prevention and Public Health Fund:					
Racial and Ethnic Approaches to Community Health (FY 2016)	93.738	Direct	NU58DP005943-02	158,982	536,573
Racial and Ethnic Approaches to Community Health (FY 2017)	93.738	Direct	NU58DP005943-02-00	37,926	97,323
				196,908	633,896
Breast and Cervical Cancer Control Program:					
BCCCP Coordination (FY 2016)	93.752	MDHHS	NU58DP003921	-	124,675
Prevention of Obesity, Diabetes, Heart Disease and Stroke:					
YMCA Grant (2016)	93.757	YMCA	20161338-00	-	76,022
YMCA Grant (2017)	93.757	YMCA	20161338-00	-	13,570
				-	89,592
Medical Assistance Program:					
Medicaid Outreach and Advocacy (FY 2016)	93.778	MDHHS	05 U05M15ADM	545,996	745,016
Medicaid Outreach and Advocacy (FY 2017)	93.778	MDHHS	05 U05M15ADM	186,991	236,769
Medicaid Outreach - TB (FY 2016)	93.778	MDHHS	05 U05M15ADM	-	20,195
Medicaid Outreach - TB (FY 2017)	93.778	MDHHS	05 U05M15ADM	-	6,411
Medicaid Outreach - WIC (FY 2016)	93.778	MDHHS	05 U05M15ADM	-	444,694
Medicaid Outreach - WIC (FY 2017)	93.778	MDHHS	05 U05M15ADM	-	152,247
CSHCS Medicaid Outreach (FY 2016)	93.778	MDHHS	05 U05M15ADM	-	97,624
CSHCS Medicaid Outreach and Advocacy (FY 2016)	93.778	MDHHS	05 U05M15ADM	-	106,875
CSHCS Medicaid Outreach and Advocacy (FY 2017)	93.778	MDHHS	05 U05M15ADM	-	35,625
Nurse Family Partnership Services (FY 2016)	93.778	MDHHS	05 U05M15ADM	-	88,528
Nurse Family Partnership Services (FY 2017)	93.778	MDHHS	05 U05M15ADM	-	29,509
Nurse Family Partnership Medicaid Outreach (FY 2016)	93.778	MDHHS	05 U05M15ADM	-	90,444
				732,987	2,053,937

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COUNTY OF KENT, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Health and Human Services (Continued)					
Organized Approaches to Increase Colorectal Cancer Screening	93.800	MDHHS	NU58DP006085	\$ -	\$ 14,724
Maternal Infant and Early Childhood Home Visiting	93.870	MDHHS	X10MC9482	-	60,813
Breast and Cervical Cancer Control Program:					
FY 2016 Award	93.919	MDHHS	NU58DP003921	-	72,597
FY 2017 Award	93.919	MDHHS	NU58DP003921	-	56,121
				-	128,718
Strong Beginnings Program:					
2015-2016 Award	93.926	SPEC	2 H49MC03591-11-00	-	193,788
2016-2017 Award	93.926	SPEC	2 H49MC03591-12-00	-	20,403
				-	214,191
HIV Prevention Activities:					
HIV Prevention (FY 2016)	93.940	MDHHS	U62 PS003671	-	88,051
HIV Prevention (FY 2017)	93.940	MDHHS	U62 PS003671	-	26,901
				-	114,952
Substance Abuse Block Grant:					
Coalition (FY 2016)	93.959	LRE	93-BI-MI-SAPT-16	-	527
HERRS (FY 2016)	93.959	N180	93-BI-MI-SAPT-16	-	16,447
HERRS (FY 2017)	93.959	N180	93-BI-MI-SAPT-17	-	9,799
Life Skills (FY 2016)	93.959	LRE	93-BI-MI-SAPT-16	-	120,041
Life Skills (FY 2017)	93.959	LRE	93-BI-MI-SAPT-17	-	56,793
Adult Heavy Drinking (FY 2016)	93.959	LRE	93-BI-MI-SAPT-16	-	30,000
Adult Heavy Drinking (FY 2017)	93.959	LRE	93-BI-MI-SAPT-17	-	1,730
Data Project (FY 2016)	93.959	LRE	93-BI-MI-SAPT-16	-	5,429
Data Project (FY 2017)	93.959	LRE	93-BI-MI-SAPT-17	-	3,626
Office of Recovery Oriented Systems of Care (FY 2016)	93.959	N180	3B08T1010026-16	-	72,602
				-	316,994
Maternal and Child Health Services Block Grant:					
Maternal Infant Health Program:					
Children (FY 2016)	93.994	MDHHS	B1MIMCHS	-	169,644
Women (FY 2016)	93.994	MDHHS	B1MIMCHS	-	68,272
Childhood Lead Poisoning:					
Education and Outreach (FY 2016)	93.994	MDHHS	B1MIMCHS	-	30,000
Education and Outreach (FY 2017)	93.994	MDHHS	B1MIMCHS	-	10,000
Intervention (FY 2016)	93.994	MDHHS	B1MIMCHS	-	1,562
Prevention (FY 2016)	93.994	MDHHS	B1MIMCHS	-	50,625
Prevention (FY 2017)	93.994	MDHHS	B1MIMCHS	-	16,875
Enabling Services - Women (FY 2017)	93.994	MDHHS	B1MIMCHS	-	3,500
Public Health Functions and Infrastructure (FY 2017)	93.994	MDHHS	B1MIMCHS	-	64,486
				-	414,964
Total U.S. Department of Health and Human Services				929,895	12,914,076

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COUNTY OF KENT, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. Department of Homeland Security					
Emergency Management Performance Grant:					
FY 2014 Award	97.042	MSP	EMW-2014-EP-00023-S01	\$ -	\$ 1,212
FY 2016 Award	97.042	MSP	EMC-2016-EP-00001-S01	-	17,847
				<u>-</u>	<u>19,059</u>
Homeland Security Grant Program:					
2014 Award (non-cash assistance)	97.067	WMSRDC	EMW-2014-SS-00059	2,760	9,383
2014 Award	97.067	WMSRDC	EMW-2014-SS-00059	-	196,706
2015 Award	97.067	WMSRDC	EMW-2015-SS-00033	28,334	109,644
				<u>31,094</u>	<u>315,733</u>
Total U.S. Department of Homeland Security				<u>31,094</u>	<u>334,792</u>
Total Expenditures of Federal Awards				<u>\$ 3,007,707</u>	<u>\$ 23,845,083</u>

concluded

See notes to schedule of expenditures of federal awards.

COUNTY OF KENT, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the County of Kent, Michigan (the "County") under programs of the federal government for the year ended December 31, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County.

The County's reporting entity is defined in Note 1 of the County's Comprehensive Annual Financial Report. The County's financial statements include the operations of the Kent County Road Commission, the Kent County Community Mental Health Authority (Network180) and the Gerald R. Ford International Airport Authority discretely-presented component units, which received federal awards that are not included in the Schedule for the year ended December 31, 2016, as these entities were separately audited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the County's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

For purposes of charging indirect costs to federal awards, the County has not elected to use the 10% de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. PASS-THROUGH AGENCIES

The County receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
CGR	City of Grand Rapids, Michigan
LRE	Lakeshore Regional Entity
MDHHS	Michigan Department of Health and Human Services
MDE	Michigan Department of Education
MDEQ	Michigan Department of Environmental Quality
MSP	Michigan State Police
N180	Kent County Community Mental Health (Network180)
SCAO	Michigan State Court Administrative Office
SPEC	Spectrum Health
WMSRDC	West Michigan Shoreline Regional Development Commission
WYO	City of Wyoming, Michigan
YMCA	Grand Rapids Metropolitan YMCA



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**INDEPENDENT AUDITORS' 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***

June 19, 2017

Honorable Members of the
Board of Commissioners
County of Kent
Grand Rapids, 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 the *County of Kent, Michigan* (the "County"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 19, 2017. Our report includes a reference to other auditors who audited the financial statements of the Kent County Road Commission and the Kent County Community Mental Health Authority ("Network180"), as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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 deficiency described in the accompanying schedule of findings and questioned costs as item 2016-001 to be a material weakness.

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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2016-002 and -003 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 Kent, Michigan's Response to Findings

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

Purpose of this Report

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

The image shows a handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

June 19, 2017

Honorable Members of the
Board of Commissioners
County of Kent
Grand Rapids, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of the *County of Kent, Michigan* (the "County") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2016. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. The County's basic financial statements also include the operations of the Kent County Road Commission which received certain federal awards which are not included in the schedule of expenditures of federal awards for the year ended December 31, 2016. Our audit, described below, did not include the operations of the Kent County Road Commission because it arranged for a separate financial statement audit and did not meet the criteria for a single audit. The County's basic financial statements also include the operations of the Kent County Community Mental Health Authority (Network180) and the Gerald R. Ford International Airport Authority which received \$5,736,233 and \$2,169,618 in federal awards, respectively, and which are not included in the schedule of expenditures of federal awards for the year ended December 31, 2016. Our audit, described below, did not include the operations of the Kent County Community Mental Health Authority or the Gerald R. Ford International Airport Authority because these entities arranged for separate audits in accordance with the Uniform Guidance.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards s applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County'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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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'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's compliance.

Opinion on Each Major Federal Program

In our opinion, the County 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, 2016.

Report on Internal Control Over Compliance

Management of the County 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'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 the Uniform Guidance, 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 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.

Purpose of this Report

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rehmann Loban LLC

COUNTY OF KENT, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? X 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) identified? yes X none reported

Type of auditors' report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
14.218	Community Development Block Grant - Entitlement Grants Cluster
93.563	Child Support Enforcement

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes X no

COUNTY OF KENT, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

2016-001 - Material Audit Adjustments (Repeat Comment)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. During our audit, we identified and proposed certain material adjustments (which were approved and posted by management) to adjust the County's financial statements to the appropriate balances. These adjustments related to tax revenues (and related receivables and deferred inflows of resources), accounts payable including retainage on construction contracts, closing out the Department of Aeronautics enterprise fund, the landfill postclosure liability, and leases receivable and related deferred inflows of resources in the Drain Commission component unit.

Cause. These adjustments appear to have been caused primarily by complexities in the implementation of a new financial accounting software in the current year. In addition to the additional time necessary to learn the new system and troubleshoot problems, several individuals who are typically highly involved in the year-end close and audit preparation process were reassigned to assist with the software implementation. This limited the amount of time and resources available to prepare and review year-end adjustments.

Effect. As a result of this condition, the County's accounting records were initially misstated by amounts that were material to the financial statements.

Recommendation. We expect this condition to resolve itself as the software implementation is completed and new processes are refined. We encourage management to perform a high-level review of the internal financial statements prepared for the audit to identify inconsistencies and unusual items. This process should include a comparison to prior year balances, a review of budget and actual results, and a comparison to the budget as adopted by the Board of Commissioners.

View of Responsible Officials. Management will review existing procedures and make revisions, as appropriate, in order to allow for a thorough review and approval by an individual with sufficient knowledge of the financial activity.

COUNTY OF KENT, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

2016-002 - Internal Controls over Preparation of Schedule of Expenditures of Federal Awards (Repeat Comment)

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. 2 CFR 200.510 requires that a recipient of federal awards subject to a single audit “prepare a schedule of expenditures of Federal awards for the period covered by the auditee’s financial statements which must include the total Federal awards expended as determined in accordance with §200.502.”

Condition. We noted certain errors in the initial Schedule of Expenditures of Federal Awards (SEFA) provided by management. For certain grants, program income was included on the SEFA in error. In addition, one program was included on the SEFA that is actually a contractor (not a subrecipient) relationship.

Cause. This condition appears to have been caused by oversights in compiling information for the SEFA. Given the large, decentralized nature of County government, information must be requested from many departments and compiled centrally into a single document. This process, while unavoidable for an entity the size of Kent County, increases the risk of error.

Effect. As a result of this condition, the County’s SEFA was initially misstated by amounts that were significant to the SEFA. Appropriate adjustments were proposed, and approved by management. However, the County was exposed to the risk that expenditures of federal awards would not be reported in accordance with the Uniform Guidance. This could impact major program determination and required testing performed by the auditors.

Recommendation. We recommend that the County and all associated departments carefully review all grant agreements and award letters in preparing the SEFA in order to ensure that expenditures are being reported correctly.

View of Responsible Officials. Management will review existing procedures and make revisions, as appropriate, in order to ensure that expenditures are being reported correctly.

COUNTY OF KENT, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

2016-003 - Delinquent Tax Administration

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining accurate subledgers of balances due from taxpayers. Subledgers should be reconciled to the related general ledger control accounts periodically, and reviewed by an individual independent of maintaining the subledger.

Condition. Each year, the County purchases delinquent real property taxes from taxing authorities in its geographical boundaries (including other funds of the County itself) as part of the settlement process. The County is then responsible for collection of these balances, or eventual foreclosure on the related property if payment is not made. Detailed information on amounts due by parcel is maintained in a separate accounting system which is not directly linked to the general ledger. At the time a tax year is settled, the outstanding taxes receivable by parcel are imported from the systems of the local units into the County's records, cash payments are made to the local units, and a corresponding receivable is established in the general ledger. Over time, as payments are received and adjustments are made to existing receivables (such as for Board of Review, Michigan Tax Tribunal, or State Tax Commission orders), corresponding changes to each system have not been consistently recorded, resulting in unreconciled variances between the different systems. At year-end, an adjustment of approximately \$250,000 was posted by the County to force the general ledger to agree to the subledger by parcel.

Cause. This condition was the result of maintaining a detailed subledger in a separate accounting system, which was not periodically reconciled to the general ledger control accounts.

Effect. As a result of this condition, the County's detailed receivable records, used as the basis for determining the payoff amount for any given parcel, disagreed with the general ledger control accounts, used to compile the County's comprehensive annual financial report.

Recommendation. We recommend that management review the processes in place for recording delinquent tax payments and adjustments and ensure that adjustments made are recorded in both systems. A reconciliation process should be implemented, at a frequency the County determines is sufficient, in order to detect and correct errors in a timely manner. To document this process, the delinquent tax subledger should be retained along with the related general ledger report and detail of any reconciling items. These documents should be reviewed and approved by an individual independent of the receivable subledger maintenance, and signed/initialed and dated as evidence of review.

View of Responsible Officials. Management is in the process of reviewing existing policies and procedures for reconciling these systems. Changes will be made, as deemed necessary, to ensure that the subledgers and the general ledger control accounts are in agreement.

COUNTY OF KENT, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2016

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

COUNTY OF KENT, MICHIGAN

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2016

2015-001 - Material Audit Adjustments

The audit process identified certain material adjustments (which were approved and posted by management) to adjust the County's financial statements to the appropriate balances. These adjustments included a misstatement of investments in the pension trust fund and entries to record a software licensing agreement under GASB Statement No. 51. Unrelated material audit adjustments were identified in the current year. These adjustments have been summarized in finding 2016-001.

2015-002 - Internal Controls over Preparation of Schedule of Expenditures of Federal Awards

There were certain errors in the initial Schedule of Expenditures of Federal Awards (SEFA). These errors were primarily related to grants administered by the Department of Aeronautics, and resulted from erroneously including the local match in the amount reported on the SEFA. Unrelated errors were identified in the 2016 SEFA that caused this issue to be repeated as item 2016-002.

2015-003 - Required Depository Agreement

U.S. Department of Housing and Urban Development - Housing Choice Voucher Program - CFDA # 14.871

Recipients of federal funding through the U.S. Department of Housing and Urban Development (HUD) are required to have a depository agreement with the financial institution in which grant funds are held. The agreement is to be based on a HUD-provided form and specify, among other things, that the account is interest-bearing and that HUD holds a beneficial interest in the balance. The County did not previously have such an agreement in place. Corrective action was taken in early 2017. This matter was not repeated.



OFFICE OF THE ADMINISTRATOR



Daryl J. Delabbio, County Administrator/Controller

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CORRECTIVE ACTION PLAN

Certain matters were brought to our attention as a result of the audit process. These matters are described at length in the Schedule of Findings and Questioned Costs. We evaluated these matters as described below, and have described our planned action.

2016-001 - Material Audit Adjustments

Planned Corrective Action. Management will review existing procedures and make revisions, as appropriate, in order to allow for a thorough review and approval by an individual with sufficient knowledge of the financial activity.

Responsible Party. Fiscal Services staff.

Date of Planned Corrective Action. June 2017.

Management Assessment. We have reviewed all adjustments proposed by the auditors, and these have now been posted within the County's accounting records.

2016-002 - Internal Controls over Preparation of Schedule of Expenditures of Federal Awards

Planned Corrective Action. Management will review existing procedures and make revisions, as appropriate, in order to ensure that expenditures are being reported correctly.

Responsible Party. Fiscal Services staff. *(Management to provide).*

Date of Planned Corrective Action. June 2017.

Management Assessment. We concur with the audit assessment regarding this matter.

2016-003 - Delinquent Tax Administration

Planned Corrective Action. Management is in the process of reviewing existing policies and procedures for reconciling these systems. Changes will be made, as deemed necessary, to ensure that the sub ledgers and the general ledger control accounts are in agreement.

Responsible Party. Treasurer's staff.

Date of Planned Corrective Action. June 2017.

Management Assessment. We concur with the audit assessment regarding this matter.