

Gratiot County
Single Audit Report
September 30, 2021



Table of Contents

	Page
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>	1
Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and the Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3
Schedule of Expenditures of Federal Awards	6
Notes to the Schedule of Expenditures of Federal Awards	7
Schedule of Findings and Questioned Costs	8
Summary Schedule of Prior Audit Findings	11
Corrective Action Plan	12



800.968.0010 | yeoandyeo.com

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 Auditors' Report

Management and County Commissioners
Gratiot County
Ithaca, 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 Gratiot County as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise Gratiot County's basic financial statements, and have issued our report thereon dated March 22, 2022. Our report includes a reference to other auditors who audited the financial statements of the Gratiot County Road Commission, as described in our report on Gratiot 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 Gratiot 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 Gratiot County's internal control. Accordingly, we do not express an opinion on the effectiveness of Gratiot County'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Gratiot 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*.

Gratiot County's Response to Findings and Corrective Action Plan

Gratiot County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs and corrective action plan. Gratiot County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Yeo & Yeo, P.C.

Alma, Michigan
March 22, 2022



800.968.0010 | yeoandyeo.com

Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

Independent Auditors' Report

Management and County Commissioners
Gratiot County
Ithaca, Michigan

Report on Compliance for Each Major Federal Program

We have audited Gratiot County's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Gratiot County's major federal programs for the year ended September 30, 2021. Gratiot County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Our report includes a reference to other auditors who audited the financial statements of the Gratiot County Road Commission, as described in our report on Gratiot 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.

Gratiot County's basic financial statements include the operations of the Gratiot County Road Commission, which received \$1,181,859 in federal awards, which is not included in the schedule during the year ended September 30, 2021. Our audit, described below, did not include the operations of the Gratiot County Road Commission because the Gratiot County Road Commission engaged other auditors and an audit in accordance with Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) was not required based on the nature of the federal award contracts.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Gratiot 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 the audit 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). 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 Gratiot 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 Gratiot County's compliance.

Opinion on Each Major Federal Program

In our opinion, Gratiot 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 September 30, 2021.

Report on Internal Control Over Compliance

Management of Gratiot 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 Gratiot 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 Gratiot 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.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

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 Gratiot County as of and for the year ended September 30, 2021, and the related notes to the financial statements, which collectively comprise Gratiot County's basic financial statements. We issued our report thereon dated March 22, 2022 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 the 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Yeo & Yeo, P.C.

Alma, Michigan
March 22, 2022

Gratiot County
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2021

Federal Grantor Pass-Through Grantor Program Title	Assistance Listing Number	Pass-Through Grantors Number	Approved Grant Award	Federal Expenditures
U.S. Department of Justice				
Passed through Michigan Department of Treasury				
COVID-19 - Coronavirus Emergency Supplemental Funding	16.034	CESF-0310-2020	\$ 147,239	\$ 107,826
U.S. Department of the Treasury				
Direct award				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	1505-0271	7,907,634	945,030
U.S. Department of Health and Human Services				
Passed through State Department of Office on Services to the Aging and Region 7 Area Agency on Aging				
Aging Cluster:				
Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	20191841	115,758	61,397
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	20191841	108,903	76,643
Nutrition Services Incentive Program	93.053	20191841	35,603	35,460
Total Aging Cluster			260,264	173,500
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	90-MPO218-03-00	1,471	1,471
National Family Caregiver Support, Title III, Part E	93.052	20191841	11,448	11,448
State Health Insurance Assistance Program	93.324	90SA0073-01-00	1,051	1,051
Medical Assistance Program	93.778	N/A	4,748	4,748
Passed through Michigan Department of Human Services				
Child Support Enforcement	93.563	CSFOC17-29001	598,198	363,987
Child Support Enforcement	93.563	CSPA17-29002	93,771	69,759
Child Support Enforcement	93.563	N/A	56,351	56,351
			748,320	490,097
Total U.S. Department of Health and Human Services			1,027,302	682,315
U.S. Department of Homeland Security				
Passed through Michigan Department of Natural Resources				
Boating Safety Financial Assistance	97.012	MS21-068	6,000	3,484
Passed through Michigan Department of State Police				
Emergency Management Performance Grant	97.042	EMC-2021-EP-00003	14,360	9,734
Total U.S. Department of Homeland Security			20,360	13,218
Total Federal Financial Assistance			\$ 9,102,535	\$ 1,748,389

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Gratiot County
Notes to the Schedule of Expenditures of Federal Awards
September 30, 2021

Note 1 – Basis of Presentation

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Gratiot County, Michigan (the “County”) under programs of the federal government for the year ended September 30, 2021. 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.

Note 2 – Summary of Significant Accounting Policies

Expenditures

Expenditures on the Schedule are reported on the modified accrual basis of accounting. 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.

Indirect Cost Rate

Gratiot County has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3 – Reconciliation to Financial Statements

The following is a reconciliation between the financial statements and the Schedule of Expenditures of Federal Awards.

	Governmental Funds
Intergovernmental - federal/state revenue	\$ 5,005,052
Less: state revenue	(3,139,325)
Less: prior year deferred inflow of resources	(130,556)
Add: current year deferred inflow of resources	13,218
Federal expenditures	<u>\$ 1,748,389</u>

Note 4 – Subrecipients

No amounts were provided to subrecipients.

Gratiot County
Schedule of Findings and Questioned Costs
September 30, 2021

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified? X yes no
- Significant deficiency(ies) identified 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) identified that are not considered to be material weaknesses? 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 §200.516(a)? yes X no

Identification of major programs:

<i>Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>
21.027	Coronavirus State and Local Fiscal Recovery Funds

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

Auditee qualified as low-risk auditee? yes X no

Gratiot County
Schedule of Findings and Questioned Costs
September 30, 2021

Section II – Government Auditing Standards Findings

Finding 2021-001

Material Weakness – Delinquent Tax Revolving Fund Not Reconciled Resulting in Material Audit Adjustments

Criteria: Management is responsible for reporting reliable financial data in accordance with Generally Accepted Accounting Principles.

Condition: Several of the asset and liability accounts in the Delinquent Tax Revolving Fund (the Fund) were not properly reconciled during the fiscal year. As a result, material audit adjustments were required.

Cause: During the fiscal year, the individual in the treasurer’s position changed due to the 2020 election. The treasurer’s office also experienced turnover in several of the staff positions within the office. The individuals filling positions in the treasurer’s office, including the treasurer, lacked knowledge of how to properly reconcile the Fund. Reliance was placed on one individual for a majority of the reconciling, but minimal oversight of that individual’s work was performed. The individual is no longer employed with the County.

Additionally, during the previous fiscal year the County settled late with a local unit. This late settlement resulted in transactions that would not normally be required. Some of the current year issues stemmed from the prior year adjustments not correctly being handled in the current year.

Effect: Because the accounts were not properly reconciled the balances at the beginning of the audit required material adjustments. The effect of those adjustments is as follows:

	Balance at Beginning of Audit	Effect of Adjustments	Balance at End of Audit
Cash and cash equivalents	\$ 4,640,737	\$ 2,615	\$ 4,643,352
Taxes receivable	1,513,804	(55,760)	1,458,044
Accrued interest receivable	430,397	(33,101)	397,296
Due from other units of government	(91,824)	104,444	12,620
Due from other funds	5,061	60,501	65,562
Advances to other funds	418,000	(18,000)	400,000
Accounts payable	(198,205)	198,355	150
Due to other units of government	(17,079)	17,079	-
Net position	7,374,440	1,848	7,376,288
Customer fee revenue	498,107	(139,350)	358,757
Interest revenue	32,070	(15,385)	16,685
Expenses	65,225	1,848	67,073

Gratiot County
Schedule of Findings and Questioned Costs
September 30, 2021

Recommendations: We recommend the treasurer and other individuals in the treasurer's office, as applicable, obtain training on how to properly record initial transactions in the Fund and reconcile balances. The asset and liability accounts within the Fund should be reconciled on a monthly basis to timely identify and correct errors. If the reconciliation task is delegated to a staff member, then proper review of that staff member's work should be performed and documented. The treasurer should also weigh the pros and cons of involving a member of the financial services department in the reconciliation process.

**Views of
responsible
officials:**

Management is in agreement with the finding. See the corrective action plan on page 12.

Section III – Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended September 30, 2021.

Gratiot County
Summary Schedule of Prior Audit Findings
September 30, 2021

Section IV – Prior Audit Findings

There were the following *Government Auditing Standards* findings for the year ended September 30, 2020:

Finding 2020-001, 2019-001

Material Weakness – Audit Adjustments

Criteria: Management is responsible for reporting reliable financial data in accordance with Generally Accepted Accounting Principles.

Status: Partially corrected. The nature of the current year material adjustments is different than those of the prior year. See current year finding 2021-001.

Finding 2020-002

Material Weakness and Material Noncompliance – Cash Account Reconciliations

Criteria: All cash accounts should be reconciled on a monthly basis to ensure all transactions are properly accounted for, and to mitigate the risk of misappropriation.

Status: Corrected.

There were no findings or questioned costs for Federal Awards for the year ended September 30, 2020.

**Gratiot County
Corrective Action Plan
September 30, 2021**



Local Audit and Finance Division
Michigan Department of Treasury
P O Box 30728
Lansing, Michigan 48847

RE: Corrective Action Plan, Gratiot County – 2021-CAP

Dear Sir/Madam:

I am writing to relay the corrective action plan (CAP) for the issue identified on the FYE 9/30/2021 Gratiot County Auditing Procedures Report (APR). Other employees may be involved in carrying out the CAP. However, as County Treasurer, I will be the contact person ultimately responsible.

**Audit Finding 2021-001 Delinquent Tax Revolving Fund Not Reconciled
Resulting in Material Audit Adjustments**

Condition – Several of the asset and liability accounts in the Delinquent Tax Revolving Fund (the Fund) were not properly reconciled during the fiscal year. As a result, material audit adjustments were required.

Corrective Action Plan – Gratiot County will continue to seek training opportunities both internally and externally. A reconciliation process has been implemented which will be performed monthly in the Treasurer’s Office.

**Gratiot County
Corrective Action Plan
September 30, 2021**

Please feel free to contact me at (989)875-5220 should you have any questions regarding these matters.

A handwritten signature in cursive script, appearing to read "Terri Ball".

Sincerely,

Terri Ball
County Treasurer