

Gratiot County
Single Audit Report
September 30, 2023



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**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, 2023, 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, 2024.

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.

Report on 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) as a basis for designing 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 identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2023-001 that we consider to be a material weakness.

Report on 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 financial statement. 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

Government Auditing Standards requires the auditor to perform limited procedures on Gratiot County's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs and corrective action plan. Gratiot County's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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, 2024



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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

Opinion on Each Major Federal Program

We have audited Gratiot County's compliance with the types of compliance requirements identified as subject to audit 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, 2023. Gratiot County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Gratiot County's basic financial statements include the operations of the Gratiot County Road Commission, which expended \$963,391 in federal awards, which is not included in the schedule during the year ended September 30, 2023. 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.

In our opinion, Gratiot County complied, in all material respects, with the 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, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Gratiot County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Gratiot County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or agreements applicable to Gratiot County's federal programs.

Auditors' Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Gratiot County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Gratiot County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Gratiot County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Gratiot County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 Gratiot County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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, 2023, 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, 2024, which contained unmodified opinions on those financial statements. Our audit was performed 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 expenditures 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, 2024

Gratiot County
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2023

Federal Grantor Pass-Through Grantor Program Title	Assistance Listing Number	Pass-Through Grantors Number	Approved Grant Award	Federal Expenditures	Amount Transferred to Subrecipients
U.S. Department of the Treasury					
Direct award					
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	1505-0271	\$ 7,907,634	\$ 2,361,130	\$ 1,462,322
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	65,476	65,476	-
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	20191841	85,941	85,941	-
Nutrition Services Incentive Program	93.053	20191841	35,460	35,460	-
Total Aging Cluster				186,877	-
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	90-MPO218-03-00	2,151	2,151	-
National Family Caregiver Support, Title III, Part E	93.052	20191841	9,815	9,815	-
State Health Insurance Assistance Program	93.324	90SA0073-01-00	2,544	2,544	-
Medical Assistance Program	93.778	N/A	4,541	4,541	-
Passed through Michigan Department of Human Services					
Child Support Enforcement	93.563	CSFOC17-29001	571,145	416,923	-
Child Support Enforcement	93.563	CSPA17-29002	93,771	68,033	-
Child Support Enforcement	93.563	N/A	62,269	62,269	-
				547,225	-
Total U.S. Department of Health and Human Services				753,153	-
U.S. Department of Homeland Security					
Passed through Michigan Department of Natural Resources					
Boating Safety Financial Assistance	97.012	MS22-018	4,000	3,662	-
Passed through Michigan Department of State Police					
Emergency Management Performance Grant	97.042	EMC-2022-EP-00001	9,276	6,661	-
Total U.S. Department of Homeland Security				10,323	-
				<u>\$ 3,124,606</u>	<u>\$ 1,462,322</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

Gratiot County
Notes to the Schedule of Expenditures of Federal Awards
September 30, 2023

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, 2023. 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	\$ 6,447,716
Less: state revenue	(3,313,740)
Less: prior year deferred inflow of resources	(49,962)
Add: current year deferred inflow of resources	40,592
Federal expenditures	\$ 3,124,606

Note 4 – Subrecipients

Payments were made to subrecipients as follows:

Program Title	Federal Assistance Listing Number	Pass-Through Grantor's Number	Subrecipient	Current Year Cash Transferred to Subrecipient
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	1505-0271	Gratiot County Child Advocacy	\$ 135,000
			Heros Center	107,608
			City of Alma	76,641
			Ashley Area Fire Authority	76,641
			Breckenridge-Wheeler Fire Rescue	76,641
			Gratiot Emergency Services Authority	153,282
			Fulton Township	105,479
			Newark Township	35,230
			Wheeler Township	15,778
			Village of Ashley	481,635
			Village of Breckenridge	133,117
			Village Of Perrinton	65,270
				\$ 1,462,322

Gratiot County
Schedule of Findings and Questioned Costs
September 30, 2023

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:

Assistance Listing Number(s)

Name of Federal Program or Cluster

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, 2023

Section II – Government Auditing Standards Findings

Finding 2023-001 and 2022-002

Material Weakness

Audit Adjustments Required

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

Condition: In total, forty audit adjustments were required to properly state the financial statements. The County uses approximately 2,000 general ledger accounts of which over 240 required adjustments. Some of the audit adjustments were material to the financial statements.

Cause: Adjustments were required for varying reasons but are generally the result of a breakdown of internal controls within the financial reporting process. The following encompass the cause for the material adjustments:

1. A transfer was incorrectly recorded in the General Fund causing assets to be overstated and expenditures to be understated by approximately \$1.8 million. After the initial bank reconciliation was completed a journal entry was posted. However, the bank reconciliation was not updated to reflect the new balances. Had the reconciliation been reperformed the control should have detected that an error occurred.
2. Guidance produced at the State level and covered at various industry trainings highlighted the need for a receivable and deferred inflow of resources to be recorded in the Opioid Settlement Fund to account for the future receipt from approved settlements.
3. A material adjustment was required in the Delinquent Tax Revolving Fund as activity within the fund was recorded assuming GASB Statement No. 84 was applicable to this fund, which it is not. The adjustment did not effect the change in net position as it only affected balances on the statement of net position.
4. Component unit revenue was understated prior to audit adjustments as 911 surcharge revenue, lease proceeds and debt proceeds were not recorded.

While not material, there were breakdowns in the controls over recording year end payables and reconciling balances in liability accounts at year end including recording an incorrect amount for accrued payroll.

Gratiot County
Schedule of Findings and Questioned Costs
September 30, 2023

Effect: The financial statements would have been misstated had audit procedures not been applied. The following misstatements were detected because of audit procedures:

Opinion Unit	Audit Journal Entry Increased (Decreased) Financial Statement Category
General Fund	
Assets	(1,782,391) *
Liability	47,846
Deferred Inflow of Resources	(236,813)
Equity	(254)
Revenues	174,142
Expenditures	1,767,312 *
Opioid Settlement Fund	
Assets	739,324 *
Deferred Inflow of Resources	739,324 *
Delinquent Tax Revolving Fund	
Equity	(54,284)
Revenues	(1,775,894) *
Expenditures	(1,830,178) *
Component Units	
Assets	176,937
Liability	(10,516)
Revenues	569,269 *
Expenditures	381,816
Aggregate Remaining	
Assets	23,189
Liability	(13,295)
Equity	54,454
Revenues	(27,228)
Expenditures	(9,258)

*Indicates a material adjustment was required.

Recommendations: We recommend the County evaluate the process in place to reconcile financial information for year end reporting. Additional reconciliations and review and approval of those reconciliations would improve the completeness and accuracy of the information reported. We further recommend that County personnel involved in the financial reporting process obtain continuing education and stay abreast of changes within the industry. Lastly, the makeup of those involved in the financial recording and reporting process should be evaluated to ensure the team in place can adequately handle the amount of work required to account for the transactions of the County. The County may need to allocate additional resources to ensure integrity and reliability of the County's financial reporting activities.

Gratiot County
Schedule of Findings and Questioned Costs
September 30, 2023

**Views of
responsible
officials:**

Management is in agreement with the finding.

**Corrective Action
Plan:**

See attached corrective action plan.

Section III – Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended September 30, 2023.

Gratiot County
Summary Schedule of Prior Audit Findings
September 30, 2023

Section IV – Prior Audit Findings

There was the following *Government Auditing Standards* finding for the year ended September 30, 2022:

Finding 2022-001, 2021-001 and 2020-001

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.

Current year status: See finding 2023-001.

Finding 2022-002

Material Weakness

Audit Adjustments Required

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

Current year status: See finding 2023-001.

Finding 2022-003

Material Weakness and Noncompliance

Audit Not Filed Timely

Criteria: The State of Michigan Department of Treasury Accounting Procedures Manual for Local Units of Government in Michigan requires local units to complete and file an audit annually within six months of the local unit's fiscal year end.

Current year status: Corrected.

Finding 2022-004

Material Weakness and Noncompliance

Accounting for Custodial Funds and Delinquent Tax Revolving Fund

Criteria: The State of Michigan Department of Treasury Accounting Procedures Manual for Local Units of Government in Michigan and Michigan Compiled Law require local units to timely reconcile bank accounts and maintain accounting funds in a positive equity position.

Current year status: Corrected.

There were no findings or questioned costs for Federal Awards for the year ended September 30, 2022.

**Gratiot County
Corrective Action Plan
September 30, 2023**



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

RE: Corrective Action Plan, Gratiot County – 2023-CAP

Dear Sir/Madam:

I am writing to relay the corrective action plan (CAP) for the issue identified on the FYE 9/30/2023 Gratiot County Auditing Procedures Report (APR). Other employees may be involved in carrying out the CAP. However, as County Treasurer and County Administrator, we will be the contact persons ultimately responsible.

Audit Finding 2023-001 Material Weakness Audit Adjustments Required

Condition – In total, forty audit adjustments were required to properly state the financial statements. The County uses approximately 2,000 general ledger accounts of which over 240 required adjustments. Some of the audit adjustments were material to the financial statements.

Corrective Action Plan – At the recommendation of our audit firm, Administration is going to request from our Board of Commissioners additional help, whether it is an employee or a contracted service, to assist in monthly financial system reviews, GASB implementations and year end closing procedures.

**Gratiot County
Corrective Action Plan
September 30, 2023**

Please feel free to contact us should you have any questions regarding these matters.



Sincerely,
Terri Ball
989-875-4235
County Treasurer



Sincerely,
Chris Oosterhoff
989-875-5282
County Administrator