

Gratiot County
Single Audit Report
September 30, 2019



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	10
Corrective Action Plan	11



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, 2019, 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 13, 2020. 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.

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 to be material weaknesses.

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 2019-001 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 responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Gratiot 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 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 13, 2020



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, 2019. 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 \$1,703,620 in federal awards, which is not included in the schedule during the year ended September 30, 2019. 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, 2019.

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, 2019, and the related notes to the financial statements, which collectively comprise Gratiot County's basic financial statements. We issued our report thereon dated March 13, 2020 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 13, 2020

Gratiot County
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2019

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass - Through Grantors Number	Approved Grant Award	Federal Expenditures
U.S. Department of Transportation				
Passed through Michigan Supreme Court State Court Administrative Office Alcohol Impaired Driving Countermeasures Incentive Grants I	20.601	AL-19-05	\$ 183,150	\$ 159,239
Passed through Michigan Department of State Police Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0558-16-01-00	2,000	1,619
Total U.S. Department of Transportation			<u>185,150</u>	<u>160,858</u>
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 Special Programs for the Aging, Title III, Part D, Disease Prevention and Health Promotion Services	93.043	20191841	1,389	-
Aging Cluster: Special Programs for the Aging, Title III, Part B, Grants for Supportive Services and Senior Centers	93.044	20191841	54,982	54,982
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	20191841	92,842	92,842
Nutrition Services Incentive Program	93.053	20191841	35,763	35,763
Total Aging Cluster			<u>183,587</u>	<u>183,587</u>
Special Programs for the Aging, Title IV, and Title II, Discretionary Projects	93.048	90-MPO218-03-00	1,103	1,103
National Family Caregiver Support, Title III, Part E	93.052	20191841	10,780	10,780
State Health Insurance Assistance Program	93.324	90SA00-0073-01-00	3,955	475
State Health Insurance Assistance Program	93.324	90SA00-0073-01-00	3,894	2,156
			<u>7,849</u>	<u>2,631</u>
Medical Assistance Program	93.778	N/A	3,747	3,747
Passed through Michigan Department of Human Services Child Support Enforcement	93.563	CSFOC17-29001	546,644	353,943
Child Support Enforcement	93.563	CSPA17-29002	85,054	70,477
Child Support Enforcement	93.563	N/A	63,868	63,868
			<u>695,566</u>	<u>488,288</u>
Total U.S. Department of Health and Human Services			<u>904,021</u>	<u>690,136</u>
U.S. Department of Homeland Security				
Passed through Michigan Department of Natural Resources Boating Safety Financial Assistance	97.012	MS18-034	2,500	-
Boating Safety Financial Assistance	97.012	MS19-064	2,500	1,679
			<u>5,000</u>	<u>1,679</u>
Passed through Michigan Department of State Police Emergency Management Performance Grant	97.042	EMC-2018-EP-00002	10,858	-
Emergency Management Performance Grant	97.042	EMC-2019-EP-00004	10,969	8,498
			<u>21,827</u>	<u>8,498</u>
Passed through City of Lansing Homeland Security Grant Program	97.067	R1-2016-80-0073	19,654	10,276
Homeland Security Grant Program	97.067	R1-2017-80-0015	19,654	3,908
Homeland Security Grant Program	97.067	R1-2018-80-0015	17,877	8,809
			<u>57,185</u>	<u>22,993</u>
Total U.S. Department of Homeland Security			<u>84,012</u>	<u>33,170</u>
Total Federal Financial Assistance			<u>\$ 1,173,183</u>	<u>\$ 884,164</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, 2019

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, 2019. 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	\$ 4,089,447
Less: state revenue	(3,172,668)
Less: prior year deferred inflow of resources	(75,036)
Add: current year deferred inflow of resources	42,421
Federal expenditures	\$ 884,164

Note 4 – Subrecipients

No amounts were provided to subrecipients.

Gratiot County
Schedule of Findings and Questioned Costs
September 30, 2019

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>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
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

Gratiot County
Schedule of Findings and Questioned Costs
September 30, 2019

Section II – Government Auditing Standards Findings

Finding 2019-001

Material Weakness – Recording of Special Assessment Receivables

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

Condition: A material adjustment was required to correct the Drain Fund special assessment receivables and the related deferred inflows of resources. Prior to the audit adjustment these balances were overstated by approximately \$1,430,000.

Cause: The special assessment receivables balance and related deferred inflows of resources were not properly reconciled at year end.

Effect: An error in the calculation was not detected, resulting in a material journal entry being required.

Recommendations: We recommend that the County develop a process to reconcile the Drain Fund special assessment receivables balance at year end to ensure accuracy in year end reporting of the receivable balance and corresponding deferred inflows. This process should include the calculation and related journal entry being reviewed and approved by someone in the finance department.

**Views of
responsible
officials:**

Management is in agreement with the finding. See the corrective action plan on page 11.

Section III – Federal Award Findings

There were no findings or questioned costs for Federal Awards for the year ended September 30, 2019.

Gratiot County
Summary Schedule of Prior Audit Findings
September 30, 2019

Section IV – Prior Audit Findings

There were the following *Government Auditing Standards* findings for the year ended September 30, 2018:

Finding 2018-001, 2017-001, 2016-001, 2015-001, and 2014-001
Material Weakness – Audit Entries and Financial Statement Preparation

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

Status: Partially corrected. One material journal entry was required in the current year. See current year finding 2019-001. The finding identified in prior year's was due to systemic issues within the organization and lack of a year end closing process. Finding 2019-001 is related to an isolated account balance area and is not considered a continuation of issues noted in prior year audits.

Finding 2018-002, 2017-002, 2016-002, 2015-002, and 2014-002
Material Weakness and Material Noncompliance – Federal Award Accounting

Criteria: Local units of government are required to have in place internal controls over recording, processing, and summarizing accounting data related to federal awards.

Status: Finding corrected.

There were no findings or questioned costs for Federal Awards for the year ended September 30, 2018.

**Gratiot County
Corrective Action Plan
September 30, 2019**



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

RE: Corrective Action Plan, Gratiot County – 2019-CAP

Dear Sir/Madam:

I am writing to relay the corrective action plan for the issue identified in the FYE 9/30/2019 Gratiot County Single Audit Report. As County Treasurer, I will be the contact person and ultimately responsible for implementation.

Audit Finding 2019-001 - Recording of Special Assessment Receivables.

Condition – A material adjustment was required to correct the Drain Fund special assessment receivables and the related deferred inflows of resources. Prior to the audit adjustment these balances were overstated by approximately \$1,430,000.

Corrective Action Plan – The Gratiot County Treasurer will provide the tools and training to its employees to minimize all potential audit adjustments. Gratiot County’s Uniform Grant Guidance requires that all journal entries be processed with adequate supporting documentation. Adequate documentation will be forwarded to Financial Services to ensure all journal entries are accurate.

Please feel free to contact me at (989)875-4235 or mthomas@gratiotmi.com should you have any questions regarding these matters.

Sincerely,

Michelle Thomas
Gratiot County Treasurer