

**Gratiot County**  
**Single Audit Report**  
**September 30, 2020**



## Table of Contents

	<b>Page</b>
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



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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, 2020, 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 29, 2021. 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 deficiencies described in the accompanying schedule of findings and questioned costs as items 2020-001 and 2020-002 to be material weaknesses.

## 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2020-002.

## 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 29, 2021



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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**

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, 2020. 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 \$2,055,724 in federal awards, which is not included in the schedule during the year ended September 30, 2020. 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, 2020.

### **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, 2020, and the related notes to the financial statements, which collectively comprise Gratiot County's basic financial statements. We issued our report thereon dated March 29, 2021 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 29, 2021

**Gratiot County**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2020**

Federal Grantor/Pass-Through Grantor/Program	Federal CFDA Number	Pass - Through Grantors Number	Approved Grant Award	Federal Expenditures
<b>U.S. Department of Justice</b>				
Passed through Michigan Department of Treasury COVID-19 - Coronavirus Emergency Supplemental Funding	16.034	CESF-0310-2020	\$ 147,239	\$ 39,566
<b>U.S. Department of the Treasury</b>				
Passed through Michigan Department of Treasury COVID-19 - First Responder Hazard Pay Premiums Program	21.019	SLT0040	55,830	55,830
COVID-19 - Coronavirus Relief Local Government Grants	21.019	SLT0040	326,649	326,649
COVID-19 - Public Safety and Public Health Payroll Reimbursement	21.019	SLT0040	21,811	7,453
			<u>404,290</u>	<u>389,932</u>
<b>U.S. Department of Health and Human Services</b>				
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	54,968	54,968
Special Programs for the Aging, Title III, Part C, Nutrition Services Congregate / HDM	93.045	20191841	98,600	69,414
Coronavirus Aid, Relief, and Economic Security (CARES) Home Delivered Meals	93.045	N/A	56,666	56,666
Family First Coronavirus Response (FFCRA) Home Delivered Meals	93.045	N/A	29,797	29,797
			<u>185,063</u>	<u>155,877</u>
Nutrition Services Incentive Program	93.053	20191841	35,460	35,460
Total Aging Cluster			<u>275,491</u>	<u>246,305</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	11,022	11,022
State Health Insurance Assistance Program	93.324	90SA0073-01-00	3,955	3,955
Medical Assistance Program	93.778	N/A	6,086	6,086
Passed through Michigan Department of Human Services Child Support Enforcement	93.563	CSFOC17-29001	571,794	361,133
Child Support Enforcement	93.563	CSPA17-29002	89,307	71,770
Child Support Enforcement	93.563	N/A	62,519	62,519
			<u>723,620</u>	<u>495,422</u>
Total U.S. Department of Health and Human Services			<u>1,021,277</u>	<u>763,893</u>
<b>U.S. Department of Homeland Security</b>				
Passed through Michigan Department of Natural Resources Boating Safety Financial Assistance	97.012	MS19-064	2,500	-
Boating Safety Financial Assistance	97.012	MS20-052	2,500	1,220
			<u>5,000</u>	<u>1,220</u>
Passed through Michigan Department of State Police Emergency Management Performance Grant	97.042	EMC-2020-EP-00005	25,338	9,911
Passed through City of Lansing Homeland Security Grant Program	97.067	R1-2017-80-0015	19,654	11,790
Homeland Security Grant Program	97.067	R1-2018-80-0013	17,877	-
			<u>37,531</u>	<u>11,790</u>
Total U.S. Department of Homeland Security			<u>67,869</u>	<u>22,921</u>
Total Federal Financial Assistance			<u>\$ 1,640,675</u>	<u>\$ 1,216,312</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, 2020**

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**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, 2020. 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	\$ 4,153,040
Less: state revenue	(3,024,863)
Less: prior year deferred inflow of resources	(42,421)
Add: current year deferred inflow of resources	130,556
Federal expenditures	<u>\$ 1,216,312</u>

**Note 4 – Subrecipients**

No amounts were provided to subrecipients.

**Gratiot County**  
**Schedule of Findings and Questioned Costs**  
**September 30, 2020**

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**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?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

*Federal Awards*

Internal control over major programs:

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

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
93.563	Child Support Enforcement
21.019	Coronavirus Relief Fund

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

Auditee qualified as low-risk auditee?  yes  no

**Gratiot County**  
**Schedule of Findings and Questioned Costs**  
**September 30, 2020**

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**Section II – Government Auditing Standards Findings**

**Finding 2020-001**

**Material Weakness – Audit Adjustments**

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

**Condition:** Two material adjustments were required to ensure the financial statements were not materially misstated. The first material entry 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 understated by approximately \$1,390,000. This audit adjustment is a repeat finding. The second material entry was required to adjust ending cash balance in the Delinquent Tax Revolving Fund, as it was noted that one check was written prior to year end, but was not mailed by year end. Prior to the audit adjustment, the cash and liability balances were understated by approximately \$160,000.

**Cause:** The special assessment receivables balance and related deferred inflows of resources were not properly reconciled at year end, and the September 2020 bank reconciliation for the Delinquent Tax Revolving Fund did not properly account for the \$160,000 check that had been written but not mailed.

**Effect:** Errors in these reconciliations were not detected, resulting in material journal entries 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. In addition, we recommend that any checks that have been written prior to year end but not mailed be properly reflected in bank account reconciliations.

**Views of responsible officials:**

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

**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.

**Condition:** The balances in the cash accounts in the Trust and Agency fund had not been adjusted since September 30, 2019, as these accounts were not properly reconciled to the County's general ledger throughout the year. A material amount of transactions occurred in these accounts during this time. Adjusting

**Gratiot County**  
**Schedule of Findings and Questioned Costs**  
**September 30, 2020**

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journal entries were required to record the correct ending balance as of September 30, 2020.

**Cause:** Monthly activity in these accounts was not being recorded in the County's general ledger, and these accounts were not being reviewed or reconciled throughout the year.

**Effect:** The ending cash balances in these accounts were misstated, requiring adjusting entries to correct. Also, a full detail of the general ledger activity for these accounts does not exist for the fiscal year.

**Recommendations:** We recommend that all cash accounts be reconciled on a monthly basis in a timely manner. These reconciliations should be reviewed by a second individual, and this reviewed should be documented.

**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, 2020.

**Gratiot County**  
**Summary Schedule of Prior Audit Findings**  
**September 30, 2020**

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**Section IV – Prior Audit Findings**

There was the following *Government Auditing Standards* finding for the year ended September 30, 2019:

**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.

**Status:** Not corrected. One material journal entry was required in the current year relating to special assessment receivables. See current year finding 2020-001.

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

**Gratiot County  
Corrective Action Plan  
September 30, 2020**

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

RE: Corrective Action Plan, Gratiot County – 2020-CAP

Dear Sir/Madam:

I am writing to relay the corrective action plan for the issue identified in the FYE 9/30/2020 Gratiot County Single Audit Report. As County Administrator, I will be the contact person and ultimately responsible for implementation.

**Audit Finding 2020-001 – Audit Adjustments.**

**Condition** – Two material adjustments were required to ensure the financial statements were not materially misstated. The first material entry 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 understated by approximately \$1,390,000. This audit adjustment is a repeat finding. The second material entry was required to adjust ending cash balance in the Delinquent Tax Revolving Fund, as it was noted that one check was written prior to year end, but was not mailed by year end. Prior to the audit adjustment, the cash and liability balances were understated by approximately \$160,000.

**Corrective Action Plan** – Gratiot County will continue to seeking training internally and externally with focus on financial practices. Gratiot County will also create a document to define essential processes and year end adjustments, which will include a calendar for when these items need to be completed by.

Gratiot County CAP  
pg. 1

**Gratiot County  
Corrective Action Plan  
September 30, 2020**

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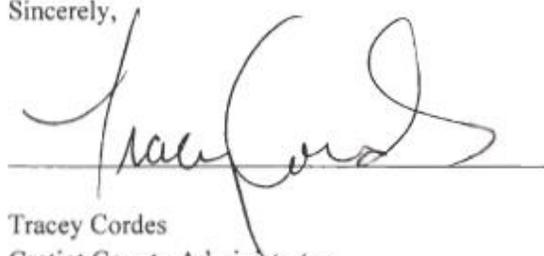
**Audit Finding 2020-002 – Cash Account Reconciliations.**

**Condition** – The balances in the cash accounts in the Trust and Agency fund had not been adjusted since September 30, 2019, as these accounts were not properly reconciled to the County’s general ledger throughout the year. A material amount of transactions occurred in these accounts during this time. Adjusting journal entries were required to record the correct ending balance as of September 30, 2020.

**Corrective Action Plan** – While the bank accounts were reconciled to the ledger through Financial Services’ monthly reconciliation process, we agree the County’s official financial reporting system, general ledger, was not updated to reflect the changing balances. Gratiot County will document in the aforementioned process write-up and calendar that Trust and Agency fund accounts are to be updated in the County’s general ledger on a monthly basis. This process will be monitored by Financial Services.

Please feel free to contact me at (989)875-5282 or [tcordes@gratiotmi.com](mailto:tcordes@gratiotmi.com) should you have any questions regarding these matters.

Sincerely,



A handwritten signature in black ink, appearing to read 'Tracey Cordes', is written over a horizontal line.

Tracey Cordes  
Gratiot County Administrator