

Isabella County, Michigan

**SUPPLEMENTARY INFORMATION
TO FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

September 30, 2009

Isabella County, Michigan

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**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Commissioners
Isabella County, Michigan
Mt. Pleasant, Michigan

Compliance

We have audited the compliance of Isabella County with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to its major federal program for the year ended September 30, 2009. Isabella County, Michigan's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of Isabella County, Michigan's management. Our responsibility is to express an opinion on Isabella County, Michigan's compliance based on our audit.

Isabella County's basic financial statements include the operations of the Central Michigan District Health Department, Isabella County Transportation Commission, and the Isabella County Road Commission, discretely presented component units, which received \$2,389,149, \$1,439,722, and \$1,413,050 in federal awards, respectively, which are not included in the Schedule of Expenditures of Federal Awards for the year ended September 30, 2009. Our single audit did not include the operations of the Central Michigan District Health Department or Isabella County Transportation Commission discretely presented component units because the component units engaged us to perform a separate audit in accordance with OMB Circular A-133. The Isabella County Road Commission did not have a single audit required because the Michigan Department of Transportation (MDOT) requires that road commissions report all Federal and State grants pertaining to their county. During the year ended September 30, 2009, the Federal aid received and expended by the Road Commission was \$1,413,050 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administered by MDOT. The contracted Federal projects are not subject to single audit requirements by the road commissions, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administered by the Road Commission.

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 OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 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 Isabella County, Michigan'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. Our audit does not provide a legal determination on Isabella County, Michigan's compliance with those requirements.

In our opinion, Isabella County, Michigan complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended September 30, 2009.

Internal Control Over Compliance

The management of Isabella County, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Isabella County, Michigan's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Isabella County, Michigan's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

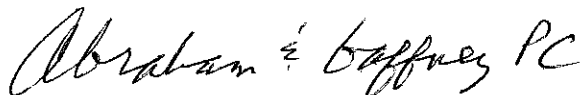
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregated discretely presented component units, each major fund, and the aggregate remaining fund information of Isabella County, Michigan as of and for the year ended September 30, 2009, and have issued our report thereon dated March 26, 2010. We did not audit the financial statements of the Isabella County Road Commission, which represents 67% and 35%, respectively of the total assets and revenues of the component units and the Medical Care Facility which represents 68% and 84%, respectively of the total assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Road Commission and Medical Care Facility, are based solely on the reports of the other auditors.

Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Isabella County's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of management and the Board of Commissioners of Isabella County, Michigan, others within the entity, the federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 26, 2010

Isabella County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2009

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass-Through Grantors Number	Current Year	
			Revenues	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through Michigan State Housing Development Authority Community Development Block Grant	14.228	MSC-2008-5824-HOA	\$ 251,918	\$ 251,918
U.S. DEPARTMENT OF JUSTICE				
(Direct Award) Bureau of Justice Assistance FY 2009 Recovery Act Justice Assistance Grant Program	16.804	2009-SB-B9-1917	2,363	2,363
U.S. DEPARTMENT OF TRANSPORTATION				
Passed through Michigan State Police Office of Highway Safety Planning Safe Communities Grant	20.600 20.601 20.602	PT-09-11 PT-09-11 PT-09-11	15,573 63,037 4,000	15,573 63,037 4,000
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			82,610	82,610
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Michigan Department of Human Services Child Support Enforcement (Title IV-D) ^(c) Cooperative Reimbursement ^(a) Friend of the Court Friend of the Court Prosecuting Attorney Title IV-D Incentive Payments ^(b) 2009 Regular	93.563	CS/FOC-09-37001 CS/FOC-08-37001 CS/PA-09-37002 N/A	327,971 9,331 31,136 84,251	327,971 9,331 31,136 84,251
			452,689	452,689

Isabella County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2009

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass-Through Grantors Number	Current Year	
			Revenues	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED				
Passed through Region VII Area Agency on Aging				
Special Programs for the Aging				
Title III, Part D	93.043	N/A		
Medication Management			\$ 350	\$ 350
Title III, Part B ^{(c)(d)}	93.044	N/A		
Case Coordination and Support			36,711	36,711
Personal Care			1,691	1,691
Homemaker			5,926	5,926
Respite			2,410	2,410
POS CM Personal Care			215	215
POS CM Homemaking			934	934
			<u>47,887</u>	<u>47,887</u>
Title III, Part C-1 ^{(c)(d)}	93.045	N/A		
Congregate Meals			76,969	76,969
Home Delivered Meals			61,871	61,871
			<u>138,840</u>	<u>138,840</u>
Title III, Part E	93.052	N/A		
Caregiver Training			14,388	14,388
Supplemental Funds			3,604	3,604
Kinship Care Funds			1,030	1,030
			<u>19,022</u>	<u>19,022</u>

Isabella County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONCLUDED

Year Ended September 30, 2009

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass-Through Grantors Number	Current Year	
			Revenues	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONCLUDED				
Passed through Region VII Area Agency on Aging - concluded				
Special Programs for the Aging - concluded				
Nutrition Services Incentive Program (NSIP) ^{(c)(d)}	93.053	N/A		
Congregate Meals			\$ 28,940	\$ 28,940
Home Delivered Meals			52,962	52,962
			81,902	81,902
Aging Home-Delivered Nutrition Services for States	93.705	N/A	2,530	2,530
Medical Assistance Program	93.778	N/A	18,940	18,940
Total passed through Region VII Area Agency on Aging			309,471	309,471
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			762,160	762,160
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through Michigan Department of Natural Resources				
2009 Marine Safety Grant	97.012	N/A	8,831	8,831
Passed through Michigan State Police				
2009 Emergency Management Performance Grant	97.042	N/A	22,747	22,747
Passed through West Michigan Shoreline Regional Development Commission				
2007 Homeland Security Grant	97.067	N/A	20,376	20,376
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			51,954	51,954
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ 1,151,005	\$ 1,151,005

Isabella County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2009

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Isabella County, Michigan and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements, which are reconciled in Note C below.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a) - (d) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Reimbursements of these contracts are passed through the State Department of Human Services (DHS). The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on 66% of Title IV-D eligible expenditures for the applicable grants. The entire amount paid by DHS for the reimbursed expenditures is considered Federal.
- (b) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues and are 100% Federal.
- (c) Denotes program tested as a "major program".
- (d) Program considered a cluster by the U.S. Department of Health and Human Services.

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the federal revenues reported in the September 30, 2009 basic financial statements to the expenditures of the County administered federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/ State Revenue</u>	<u>Less State/Local Revenue</u>	<u>Federal Award Expenditures</u>
PRIMARY GOVERNMENT			
GENERAL FUND			
Homeland Security	\$ 43,123	\$ -	\$ 43,123
Prosecutor - CRP	52,314	(21,178)	31,136
Youth grant	67,037	-	67,037
Traffic enforcement	16,097	(524)	15,573
Sherriff grant	2,363	-	2,363
Marine safety grant	8,831	-	8,831
Other Programs	<u>1,353,656</u>	<u>(1,353,656)</u>	<u>-0-</u>
TOTAL GENERAL FUND	1,543,421	(1,375,358)	168,063
SPECIAL REVENUE FUNDS			
Friend of the Court	421,553	-	421,553
Commission on Aging Activities	415,419	(105,948)	309,471
CDBG Housing Assistance Grant	<u>251,918</u>	<u>-</u>	<u>251,918</u>
TOTAL SPECIAL REVENUE FUNDS	<u>1,088,890</u>	<u>(105,948)</u>	<u>982,942</u>
TOTAL PRIMARY GOVERNMENT ENTITY	<u>\$ 2,632,311</u>	<u>\$(1,481,306)</u>	<u>\$ 1,151,005</u>

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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**

Board of Commissioners
Isabella County, Michigan
Mt. Pleasant, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregately discretely presented component units, each major fund, and the aggregate remaining fund information of Isabella County, Michigan as of and for the year ended September 30, 2009, which collectively comprise Isabella County's basic financial statements and have issued our report thereon dated March 26, 2010. We did not audit the financial statements of the Isabella County Road Commission, which represents 67% and 35%, respectively of the total assets and revenues of the component units and the Medical Care Facility which represents 68% and 84%, respectively of the total assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Road Commission and Medical Care Facility, are based solely on the reports of the other auditors. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Isabella County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *control deficiency* 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 misstatements on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies described as 2009-1, 2009-2 and 2009-3 in the accompanying Schedule of Findings to be significant deficiencies in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

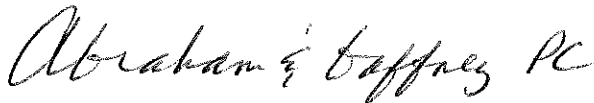
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Isabella County's financial statements are free of 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings as items 2007-9, 2009-4, and 2009-5.

Isabella County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit Isabella County's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of management and the Board of Commissioners of Isabella County, Michigan, others within the entity, the federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 26, 2010

Isabella County, Michigan

SCHEDULE OF FINDINGS

Year Ended September 30, 2009

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weakness(es)? X Yes _____ 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 deficiencies identified that are not considered to be material weakness(es)? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported with Section 501(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.563 93.044, 93.045, 93.053	Child Support Enforcement (Title IV-D) Aging Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II - Financial Statement Findings

2009-1 REPEAT AUDIT COMMENTS

Condition: During our review of internal controls at the Sheriff's Department, the Trial Court, the Clerk's Office, and the Drain Office we noted several opportunities to strengthen internal control and segregate duties in the cash receipting and disbursement procedures. These issues were noted and reported in our prior year audit comments. Specifically, we noted:

SCHEDULE OF FINDINGS - CONTINUED

Year Ended September 30, 2009

Section II - Financial Statement Findings - Continued

2009-1 REPEAT AUDIT COMMENTS - CONTINUED

Condition - continued:

Sheriff's Department:

- a. The cashiers do not maintain separate cash drawers.
- b. There is no log maintained of receipts received in the mail.
- c. Source documentation is not retained to support receipts.
- d. Any of the office staff, clerks, and corrections officers has the capability to receipt money and void receipts. Additionally, all of the clerks and corrections officers are authorized check signers for the Inmate Trust Account.
- e. The daily cash receipts reports are not compared to the posting to inmate accounts to ensure that the accounts are properly credited.
- f. The disbursements made from the Inmate Trust account are not reviewed prior to checks being prepared.
- g. The Department does not reconcile amounts due to individual inmates per the computer system to amounts held in the related bank account.

Trial Court:

- a. The cashiers do not maintain separate cash drawers, with access restricted to the assigned employee.
- b. There is no log maintained of receipts received in the mail.
- c. Source documentation is not retained to support receipts.
- d. The employee who reconciles the bank account is not independent of the cash receipting and disbursements process

Clerk's Office:

- a. At least three (3) different individuals can process void receipts without approval.

Drain Office:

- a. The cashiers do not maintain separate cash drawers.
- b. There is no log maintained of receipts received in the mail.
- c. All department employees are authorized to receipt money.

Criteria: The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e. receipts, disbursements, etc.). The controls applicable to the Trial Court are required by the State of Michigan.

Effect: The Sheriff's Department, Trial Court, Clerk's Office and Drain Office are susceptible to fraudulent transactions as the internal controls and segregation of duties in these areas is inadequate. The Trial Court is also not in compliance with applicable sections of the Michigan Court Administration Reference Guide.

Recommendation: We recommend that the departments evaluate all aspects of their accounting functions and consider taking action to correct the above deficiencies.

Corrective Action Response: Management has reviewed the recommendations of the auditors and has determined that the changes recommended cannot be implemented in a cost effective manner in our current environment. Management recognizes that an increased risk of fraud exists due to these deficiencies.

SCHEDULE OF FINDINGS - CONTINUED

Year Ended September 30, 2009

Section II - Financial Statement Findings - Continued

2009-2 RECYCLING CENTER PROCEDURES

Condition: During our review of internal controls at the Recycling Center, we noted some opportunities to strengthen internal control and segregate duties in the cash receipting procedures. Specifically, we noted:

- a. The recycling center does not utilize a receipt book or other form of pre-numbered cash receipts.
- b. The Operations Specialist opens the mail, performs cash receipting, and has access to the electronic records.

Criteria: One of the objectives of internal control is that no one person has access to all aspects of a given transaction cycle. Duties and responsibilities for handling cash receipts should be arranged and separated so that an employee does not perform more than one of the following functions:

- a. Opening the mail.
- b. Receipting payments.
- c. Balancing receipts to the accounting records.
- d. Processing void receipts.

Where adequate segregation of duties is not possible, management should provide greater review and oversight of the various financial activities.

Effect: The Recycling Center is susceptible to fraudulent transactions as the internal controls and segregation of duties in these areas is inadequate.

Recommendation: We recommend that the Recycling Center review the internal controls over cash receipting and consider the following actions:

- a. All transactions should be recorded in a cash receipts log that includes the use of numbered receipts that can, in turn, be reconciled to periodic bank deposits.
- b. Cash receipting duties should be segregated and split between additional employees to the maximum extent possible.

Corrective Action Response: Currently, the Recycling Center records transactions in the scale computer and each one creates a ticket which is numbered. This system also prints account invoices, each with a unique identifying number, for the various charge accounts at the end of each month. These invoices are entered into an excel file to keep track of all outstanding invoices. Checks received in the mail are opened by one employee and recorded on the excel file, while a separate employee prepares the bank deposit slip.

A new procedure will be the creation of a deleted ticket log. Each time a ticket is deleted from the scale computer, the employee will record the reason, date, and ticket number. This log will then be reviewed and verified by the Department Head.

Due to budget restrictions, the cash receipting duties are segregated between employees to the extent possible. There may be times when staffing levels limit the segregation and Management recognizes this increased risk.

2009-3 COMMISSION ON AGING PROCEDURES

Condition: During our review of internal controls at the Commission on Aging, we noted some opportunities to strengthen internal control and segregate duties in the cash receipting procedures. Specifically, we noted:

- a. The Commission on Aging does not utilize a mail log. Multiple employees handle the receipts before they are recorded.
- b. The account clerk has access to the mail, prepares deposit tickets, deposits the cash, and prepares a reconciliation spreadsheet for management review.

SCHEDULE OF FINDINGS - CONTINUED

Year Ended September 30, 2009

Section II - Financial Statement Findings - Continued

2009-3 COMMISSION ON AGING PROCEDURES - CONTINUED

Criteria: One of the objectives of internal control is that no one person has access to all aspects of a given transaction cycle. Duties and responsibilities for handling cash receipts should be arranged and separated so that an employee does not perform more than one of the following functions:

- a. Opening the mail.
- b. Receipting payments.
- c. Balancing receipts to the accounting records.
- d. Processing void receipts.

Where adequate segregation of duties is not possible, management should provide greater review and oversight of the various financial activities.

Effect: The Commission on Aging is susceptible to fraudulent transactions as the internal controls and segregation of duties in these areas is inadequate.

Recommendation: We recommend that the Commission on Aging review the internal controls over cash receipting and consider the following actions:

- a. All transactions should be recorded in a mail log as they come in. This mail log should periodically be compared to bank deposits to ensure completeness.
- b. Cash receipting duties should be segregated and split between additional employees to the maximum extent possible.

Corrective Action Response: We will require in the future that the Commission on Aging designate a person to open the mail and record transactions in a mail log each day. This person will be different from the person who prepares the deposit tickets whenever possible. As staffing is limited, cash receipting duties will be segregated to the extent possible.

2007-9 OUTSTANDING CHECKS NEED TO BE ESCHEATED

Condition: During our review of the open bonds and restitution at the District Court, we noted that several of the outstanding checks were over a year old. Some checks were written as far back as 2003. This issue was noted and reported in our prior year audit comments.

Criteria: Paragraph E6 of section 6-05, Michigan Court Administration Reference Guide, states: "Old outstanding checks should be periodically reviewed and escheated to the State of Michigan. The Unclaimed Property Division of the Michigan Department of Treasury requires that all uncashed checks unclaimed for a period of one year, including undeliverable and outstanding checks, should be escheated as prescribed in Treasury regulations."

Additionally, Michigan Public Act 29 of 1995 provides that the Department report and escheat unclaimed property to the State of Michigan.

Effect: The County is not in compliance with Public Act 29 of 1995 or the Michigan Court Administration Reference Guide.

Recommendation: We recommend that outstanding checks be reviewed on an annual basis and any checks that are outstanding for more than one year be appropriately escheated to the State of Michigan unless an outstanding check can be reissued to the payee.

SCHEDULE OF FINDINGS - CONTINUED

Year Ended September 30, 2009

Section II - Financial Statement Findings - Continued

2007-9 OUTSTANDING CHECKS NEED TO BE ESCHEATED - CONTINUED

Corrective Action Response: Two trial court employees researched escheatments to the State of Michigan after the finding was reported in 2007. After working with the State Court Administrative Office in the following year, this issue is being corrected and escheatments will be sent to the State of Michigan in May 2010. Future escheatments will be reviewed and handled appropriately.

2009-4 UNFAVORABLE BUDGET VARIANCES

Condition: During our review of the County's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for various activities in the General Fund and two (2) Special Revenue Funds. In addition, the County budgeted for a deficit fund balance in three (3) Special Revenue Funds.

Criteria: The Uniform Budgeting and Accounting Act requires the County to amend the original adopted budget "as soon as it becomes apparent that a deviation from the original general appropriations act is necessary and the amount of the deviation can be determined". The Act also states that "an administrative officer of the local unit shall not incur expenditures against an appropriation account in excess of the amount appropriated by the legislative body".

Effect: The County adopted the budget for the General Fund at the department level and the Special Revenue funds at the total expenditure level. Having unfavorable budget variances and budgets with deficit fund balances as described above, the County is not in compliance with Public Act 621 of 1978, as amended.

Recommendation: We recommend the County monitor expenditures against adopted budgets and make appropriate budget amendments as needed.

Corrective Action Response: The Uniform Budgeting and Accounting Act requires the County to amend its original budget when "it appears to the chief administrative officer or to the legislative body that the actual and probable revenues from taxes and other sources in a fund are less than the estimated revenues" (MCL 141.437(2)). Funding schedules from sources such as the State of Michigan are not reliable, thereby making it impossible to know whether funds from these sources will be provided before the close of a given fiscal year.

Budgets are reviewed and monitored by the Administration office throughout the year. Projections for final year expenses are made in September of each fiscal year and the budget is adjusted accordingly. Occasionally, final expenses are not known until well after the end of the fiscal year and result in overages. The 2009 expenditure budget overages were minimal in comparison to the entire budget.

Two of the three funds budgeted for a deficit fund balance were corrected prior to the end of the fiscal year. The third fund was budgeted in error and the overall fund did not end with a deficit fund balance as budgeted. Management will provide greater review to avoid these errors in the future.

2009-5 FUND DEFICIT

Condition: As of September 30, 2009, the Building Inspection Fund is reporting a fund deficit.

Criteria: Michigan Public Act 275 of 1980 provides that the County shall not have deficits in one or more of the County's unreserved fund balances/unrestricted net assets.

Effect: The County is not in compliance with Public Act 275 of 1980.

Recommendation: We recommend the County utilize budgetary controls to limit expenditures and/or transfer funds as needed to alleviate deficits.

SCHEDULE OF FINDINGS - CONTINUED

Year Ended September 30, 2009

Section II - Financial Statement Findings - Continued

2009-5 FUND DEFICIT - CONTINUED

Corrective Action Response: The deficit of \$11,726 for the Building Inspections Fund has been covered by a short-term loan from the general fund in the current fiscal year. Because the Building Inspections Fund is an Enterprise Fund, revenues are required to cover expenses in full each year. If revenues are less than expected and the fund balance has been used, then expenses have to be cut accordingly.

Early in 2010, the Board of Commissions voted to increase the inspection and permit fees to address the decrease in revenue for the Building Inspections Fund. Also, staffing levels have been adjusted to decrease expenses. The staffing decreases will remain in effect until such time as the revenue increases enough to repay the general fund loan and also cover current year expenses.

Section III - Federal Award Findings and Questioned Costs

None noted.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2009

FINDINGS/NONCOMPLIANCE

Control Deficiencies and Material Weaknesses Related to Internal Controls Over the Financial Statements.

2007-4 SHERIFF'S DEPARTMENT PROCEDURES

Condition: During our review of internal controls at the Sheriff's Department, we noted several opportunities to strengthen internal control and segregate duties in the cash receipting and disbursement procedures.

Resolution: The Sheriff's Department instituted a review process for voided receipts but did not make any other changes based on this finding. This issue has been repeated in 2009 as part of finding 2009-1 that consolidates all repeated audit comments. We do not consider this issue to be resolved.

2007-5 TRIAL COURT DEPARTMENT PROCEDURES

Condition: During our review of internal controls in the Trial Court, we noted several opportunities to strengthen internal control and segregate duties in the cash receipting procedures.

Resolution: The Trial Court did not make any changes based on this finding. This issue has been repeated in 2009 as part of finding 2009-1 that consolidates all repeated audit comments. We do not consider this issue to be resolved.

2007-7 CLERK'S OFFICE PROCEDURES

Condition: During our review of internal controls at the Clerk's Office, we noted some opportunities to strengthen internal control and segregate duties in the cash receipting and bank reconciliation procedures. Specifically, we noted:

- a. The cashiers do not maintain separate cash drawers.
- b. At least three (3) different individuals can process void receipts without approval.

Resolution: The Clerk's Office has implemented separate cash drawers for cashiers in 2009. However, the Clerk's Office did not make any changes on "b", which has been repeated in 2009 as part of finding 2009-1 that consolidates all repeated audit comments. We do not consider this issue to be resolved.

2007-8 DRAIN OFFICE PROCEDURES

Condition: During our review of internal controls at the Drain Office, we noted some opportunities to strengthen internal control and segregate duties in the cash receipting and bank reconciliation procedures.

Resolution: The Drain Office did not make any changes based on this finding. This issue has been repeated in 2009 as part of finding 2009-1 that consolidates all repeated audit comments. We do not consider this issue to be resolved.

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

2007-9 OUTSTANDING CHECKS NEED TO BE ESCHEATED

Condition: During our review of the open bonds and restitution at the District Court, we noted that several outstanding checks had not been escheated in accordance with Public Act 29 of 1995. Some checks were written as far back as 2003.

Resolution: This issue was not addressed and has therefore been repeated for 2009. We do not consider this issue to be resolved.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONTINUED

Year Ended September 30, 2009

FINDINGS/NONCOMPLIANCE - CONTINUED

Findings Related to Compliance with Requirements Applicable to the Financial Statements - Continued.

2008-1 UNFAVORABLE BUDGET VARIANCES

Condition: During our review of the County's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for various activities in seven (7) Special Revenue Funds.

Resolution: This issue is evaluated separately each year. There were some budget overages in the current year as noted in the current findings.

2008-2 FUND DEFICIT

Condition: The County reported a fund deficit in one (1) fund as of September 30, 2008, a violation of Public Act 275 of 1980.

Resolution: This issue is evaluated separately each year. There was one (1) fund reporting a deficit as of September 30, 2009 as noted in the current findings.

2008-3 DEPARTMENTAL APPROVAL NOT RETAINED

Condition: The County did not retain batch cover sheets that show departmental approval along with the voucher package.

Resolution: The County now retains batch cover sheets that show departmental approval along with the voucher package. We consider this issue to be resolved.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings.