

Isabella County,  
Michigan



Year Ended  
September 30,  
2017

Single Audit Act  
Compliance

# Isabella County, Michigan

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

Month 19, 2018

Board of Commissioners  
Isabella County  
Mt. Pleasant, Michigan

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 *Isabella County, Michigan* (the "County") as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 19, 2018, 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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.



# Isabella County, Michigan

## Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2017

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Agriculture				
Supplemental Nutrition Assistance Program (SNAP) Cluster:				
State Administrative Matching Grant for the SNAP	10.561	PAAM	-n/a-	\$ 225
U.S. Department of Justice				
Bulletproof Vest Partnership Program:				
Bulletproof Vest Partnership 2015	16.607	Direct	-n/a-	1,784
Bulletproof Vest Partnership 2016	16.607	Direct	-n/a-	1,656
Total U.S. Department of Justice				3,440
U.S. Department of Health and Human Services				
Special Programs for the Aging:				
Title III, Part D	93.043	RVIIAAA	-n/a-	3,605
Aging Cluster:				
Title III, Part B:				
Case Coordination and Support	93.044	RVIIAAA	-n/a-	30,870
Personal Care	93.044	RVIIAAA	-n/a-	26,548
Respite	93.044	RVIIAAA	-n/a-	15,495
Homemaker	93.044	RVIIAAA	-n/a-	28,832
				101,745
Title III, Part C-1:				
Congregate Meals	93.045	RVIIAAA	-n/a-	34,146
Home Delivered Meals	93.045	RVIIAAA	-n/a-	86,057
				120,203
Nutrition Services Incentive Program (NSIP):				
Congregate Meals	93.053	RVIIAAA	-n/a-	11,174
Home Delivered Meals	93.053	RVIIAAA	-n/a-	29,061
				40,235
Total Aging Cluster				262,183
National Family Caregiver Support:				
Title III, Part E				
Caregiver Training	93.052	RVIIAAA	-n/a-	14,196
Supplemental Funds	93.052	RVIIAAA	-n/a-	3,097
Kinship Care Funds	93.052	RVIIAAA	-n/a-	1,020
				18,313

Continued...

# Isabella County, Michigan

## Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2017

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services Concluded				
Child Support Enforcement (Title IV-D):				
Friend of the Court	93.563	MDHHS	CS/FOC-17-37001	\$ 406,938
Prosecuting Attorney	93.563	MDHHS	CS/PA-17-37002	40,785
Title IV-D Incentive Payments FY 2017	93.563	MDHHS	-n/a-	81,270
				<u>528,993</u>
Medicaid Cluster:				
Medical Assistance Program	93.778	RVIIAAA	-n/a-	<u>7,291</u>
Total U.S. Department of Health and Human Services				<u>820,385</u>
U.S. Department of Homeland Security				
2017 Boating Safety Financial Assistance	97.012	MDNR	-n/a-	<u>6,100</u>
Emergency Management Performance Grants:				
2017 Regular	97.042	MSP	EMC-2017-EP-00001	<u>12,612</u>
Homeland Security Grant Program:				
2015 HSGP - Planning	97.067	WMSRDC	R6-2015-80-0014	<u>15,958</u>
Total U.S. Department of Homeland Security				<u>34,670</u>
Total Expenditures of Federal Awards				<u>\$ 858,720</u>
				concluded

See notes to schedule of expenditures of federal awards.

# Isabella County, Michigan

## Notes to Schedule of Expenditures of Federal Awards

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Isabella County, Michigan (the "County") under programs of the federal government for the year ended September 30, 2017. 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.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the County's financial statements. 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. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

For purposes of charging indirect costs to federal awards, the County has elected not to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

### 3. RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

	Intergovernmental Revenue	Less State Revenue	Federal Expenditures
<b>Primary Government</b>			
<b>General Fund:</b>			
Homeland security	\$ 15,958	\$ -	\$ 15,958
Prosecutor - CRP	40,785	-	40,785
Prosecutor - FIA reimbursements	15,953	15,953	-
Emergency management grant	12,612	-	12,612
Sheriff grants	3,440	-	3,440
Marine safety	6,100	-	6,100
Other programs	2,824,965	2,825,190	225
<b>Total general fund</b>	<b>2,919,813</b>	<b>2,841,143</b>	<b>79,120</b>
<b>Special revenue funds:</b>			
Tribal Contribution	90,107	90,107	-
Commission on Aging	569,866	278,474	291,392
<b>Nonmajor special revenue funds:</b>			
Friend of the Court	535,029	46,821	488,208
Other	1,266,851	1,266,851	-
<b>Total special revenue funds</b>	<b>2,461,853</b>	<b>1,682,253</b>	<b>779,600</b>
<b>Total primary government</b>	<b>\$ 5,381,666</b>	<b>\$ 4,523,396</b>	<b>\$ 858,720</b>

# Isabella County, Michigan

## Notes to Schedule of Expenditures of Federal Awards

### 4. PASS-THROUGH AGENCIES

The County receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDHHS	Michigan Department of Health and Human Services
MDNR	Michigan Department of Natural Resources
MSP	Michigan State Police
PAAM	Prosecuting Attorneys Association of Michigan
RVIAAA	Region VII Area Agency on Aging
WMSRDC	West Michigan Shoreline Regional Development Commission



**Independent Auditors' 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***

March 19, 2018

Board of Commissioners  
Isabella County  
Mt. Pleasant, 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 *Isabella County, Michigan* (the "County"), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 19, 2018. Our report includes a reference to other auditors who audited the financial statements of Isabella County Road Commission, Isabella County Transportation Commission, and the Isabella County Medical Care Facility, as described in our report on the 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. The financial statements of Isabella County Medical Care Facility were not audited in accordance with *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.



Our consideration of internal control was for the limited purpose described in the 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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, as item 2017-001 that we consider to be a material weakness.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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*.

**Isabella County’s Response to the Finding**

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

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County’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.



**Independent Auditors' Report on Compliance for the Major Federal Program  
and Internal Control over Compliance Required by the Uniform Guidance**

March 19, 2018

Board of Commissioners  
Isabella County  
Mt. Pleasant, Michigan

**Report on Compliance for the Major Federal Program**

We have audited the compliance of *Isabella County, Michigan* (the "County") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended September 30, 2017. The County's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Isabella County Road Commission and Isabella County Transportation Commission, which received \$2,157,495 and \$1,467,313, respectively, in federal awards, and which are not included in the schedule of expenditures of federal awards for the year ended September 30, 2017. Our audit, described below, did not include the operations of the Isabella County Road Commission and Isabella County Transportation Commission because they arranged for separate audits in accordance with the Uniform Guidance.

*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.

*Independent Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for the County's major federal program 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 the 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 the major federal program. However, our audit does not provide a legal determination of the County's compliance.

#### *Opinion on the Major Federal Program*

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2017.

#### Report on Internal Control Over Compliance

Management of the 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 the 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 the 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.

#### *Purpose of this Report*

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.



# Isabella County, Michigan

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2017

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?        X   yes             no

Significant deficiency(ies) identified?             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?             yes        X   none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?             yes        X   no

Identification of major programs and type of auditors' report issued on compliance for each major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
93.563	Child Support Enforcement	Unmodified

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

Auditee qualified as low-risk auditee?        X   yes             no

# Isabella County, Michigan

## Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2017

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2017-001 - Material Prior Period Adjustments

**Finding Type.** Material Weakness in Internal Control over Financial Reporting.

**Criteria.** Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

**Condition.** During our audit, we identified and proposed material prior period adjustments impacting receivables, revenue, and deferred inflow of resources to record revenue in the correct period (which were approved and posted by management).

**Cause.** This condition was the result of dependence on the current year external auditors, who by definition cannot be a part of the County's internal control, to propose the noted adjustments to the general ledger and reconcile certain balance sheet accounts to their underlying detail.

**Effect.** As a result of this condition, the County's financial information was initially misstated by amounts that were deemed to be quantitatively material. Correcting entries were subsequently posted by management to the County's records and the appropriate balances are presented in the audited financial statements.

**Recommendation.** Management has already taken appropriate corrective action by posting correcting journal entries.

**View of Responsible Officials.** County management recognizes the necessity to record transactions in the appropriate accounting period and the County Administrator/Controller's office will assure these types of transactions are recorded in the proper period in the future.



## Isabella County, Michigan

### Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2017

There were no audit findings reported for the fiscal year ended September 30, 2016.

■ ■ ■ ■ ■



*Isabella County*

Margaret A. McAvoy  
Administrator/Controller

## **CORRECTIVE ACTION PLAN**

A certain matter was brought to our attention as a result of the audit process. This is described in detail in the Schedule of Findings and Questioned Costs. We evaluated this matter as described below and have described our planned action as a result.

### **2017-001 – Material Prior Period Adjustments**

Planned Corrective Action: We will work to ensure all transactions are recorded in the appropriate accounting period in the future by implementing a review process in the Administrator/Controller's office by which any transactions that potentially cover multiple periods are evaluated by individuals with the skills, knowledge, and experience to determine the correct period to record the transaction.

Responsible Party: County Administrator/Controller

Date of Planned Corrective Action: March 2018

Management Assessment: We concur with the audit assessment regarding this matter.