

COUNTY OF BARRY, MICHIGAN



SINGLE AUDIT ACT COMPLIANCE

For the Year Ended December 31, 2009



**BARRY COUNTY, MICHIGAN
SINGLE AUDIT ACT COMPLIANCE**

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For the Year Ended December 31, 2009**

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BARRY COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

Federal/Pass-through Grantor Program Title	CFDA Number	Pass-through Grantor Number	Federal Expenditures
U.S. Department of Agriculture			
Passed through the State Department of Office on Services to the Aging and Region III-B Area Agency on Aging:			
08/09 Food Donation	10.565	09BCCOA1	\$ 46,202
09/10 Food Donation	10.565	10BCCOA1	14,115
Total U.S. Department of Agriculture			<u>60,317</u>
U.S. Department of Housing and Urban Development			
Passed through the Michigan State Housing Development Authority:			
Community Development Block Grant	14.228	MSC-2009-0769-HOA	61,209
Home Investment Partnership Program (HOME)	14.239	M-2007-0769	9,861
Home Investment Partnership Program (HOME)	14.239	M-2007-0769-02	180,593
Total U.S. Department of Housing and Urban Development			<u>251,663</u>
U.S. Department of Justice			
Passed through the Michigan Department of Community Health and the State Office of Drug Control Policy:			
Edward Byrne Memorial Justice Assistance Grant Program:			
Adult Felony Drug Court	16.738	SCAO-2009-010	41,907
Juvenile Drug Court	16.738	SCAO-2009-051	41,868
Southwest Enforcement Team	16.738	70888-1-09-B	7,562
ARRA - Grants to Units of Local Government	16.804	2009-SB-B9-1916	19,635
Total U.S. Department of Justice			<u>110,972</u>
U.S. Department of Transportation			
Passed through the Michigan State Police:			
State and Community Highway Safety	20.600	PT-09-06	10,085
State and Community Highway Safety	20.600	PT-10-24	990
Alcohol Impaired Driving Countermeasures	20.601	PT-09-06	5,126
Occupant Protection Incentive	20.602	PT-09-06	3,993
Total U.S. Department of Transportation			<u>20,194</u>
U.S. Department of Health and Human Services			
Passed through the Michigan Office of Services to the Aging and Region III-B Area Agency on Aging:			
Title III-B Special Programs for the Aging, Grants for Supportive Services and Senior Centers:			
08/09	93.044	09BCCOA1	14,676
09/10	93.044	10BCCOA1	4,979

continued...

BARRY COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards (Concluded)
For the Year Ended December 31, 2009

Federal/Pass-through Grantor Program Title	CFDA Number	Pass-through Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (concluded)			
Passed through the Michigan Office of Services to the Aging and Region III-B Area Agency on Aging (concluded):			
Title III-C Special Programs for the Aging, Nutrition Services:			
08/09 Nutrition Congregate	93.045	09BCC0A1	\$ 53,818
09/10 Nutrition Congregate	93.045	10BCC0A1	16,068
08/09 Nutrition Home Delivered Meals	93.045	09BCC0A1	36,448
09/10 Nutrition Home Delivered Meals	93.045	10BCC0A1	2,255
08/09 Title IIIE/National Family Caregiver Support Program	93.052	SFSC-04-09001-5	16,479
09/10 Title IIIE/National Family Caregiver Support Program	93.052	SFSC-04-10001-5	3,510
Passed through the Michigan Department of Human Services:			
Building Strong Families	93.556	SFSC 09-08001	38,246
Promoting Safe and Stable Families	93.556	WRAP-08-08001	24,541
Temporary Assistance for Needy Families	93.558	WRAP-08-08001	24,541
Child Support Enforcement:			
08/09 Friend of the Court	93.563	CS/FOC-09-08001	410,442
09/10 Friend of the Court	93.563	CS/FOC-10-08001	155,002
Incentive Payments	93.563	-n/a-	84,879
08/09 Prosecuting Attorney	93.563	CS/PA-09-08002	25,866
09/10 Prosecuting Attorney	93.563	CS/PA-10-08002	8,369
Passed through the Michigan State Court Administrative Office:			
Access and Visitation Grant	93.597	-n/a-	<u>450</u>
Total U.S. Department of Health and Human Services			<u>920,569</u>
U.S. Department of Homeland Security			
Passed through the Michigan Department of Human Resources:			
Boating Safety Financial Assistance	97.012	-n/a-	78,340
Passed through the Michigan State Police:			
2008 Emergency Management Performance Grant	97.042	-n/a-	26,500
Public Assistance Grant - Historic Charlton Park	97.036	FEMA-1777-DR	2,865
Hazard Mitigation Program - Jordan Lake Structure Elevation	97.039	FEMA-1527-DR	72,765
Homeland Security Grant	97.067	-n/a-	2,035
Passed through the United Way:			
Emergency Food and Shelter Program	97.114	464600-013	<u>1,000</u>
Total U.S. Department of Homeland Security			<u>183,505</u>
Total Expenditures of Federal Awards			<u><u>\$ 1,547,220</u></u>

See accompanying notes to this Schedule.

BARRY COUNTY, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") presents the activity of all federal awards programs of Barry County, Michigan (the "County"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule.

The information in the Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

2. BASIS OF ACCOUNTING

The accompanying Schedule is presented using the modified accrual basis of accounting, which is described in Note I of the County's financial statements.

Amounts presented on the Schedule agree with or reconcile to amounts presented in the financial statements.

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**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***

June 22, 2010

To the Board of Commissioners
of Barry County, Michigan
Hastings, 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 the *County of Barry, Michigan*, as of and for the year ended December 31, 2009, which collectively comprise the basic financial statements, and have issued our report thereon dated June 22, 2010. 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. We did not audit the financial statements of the Barry County Road Commission discretely presented component unit, the Barry County Medical Care Facility (Thornapple Manor) enterprise fund, the Barry County Transit enterprise fund, or the Barry County Substance Abuse Services special revenue fund. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our report on these financial statements insofar as it related to the amounts included for the Barry County Road Commission, the Barry County Medical Care Facility (Thornapple Manor), the Barry County Transit, and Barry County Substance Abuse Services was based solely on the reports of other auditors. The financial statements of the Barry County Medical Care Facility (Thornapple Manor) were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a material weakness.

A *significant deficiency* is 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2009-2 and 2009-3 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Barry, Michigan'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County of Barry, Michigan in a separate letter dated June 22, 2010.

The County of Barry, Michigan's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County of Barry, Michigan's responses, and accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the Board of Commissioners, and 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.



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO MAJOR PROGRAMS
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

June 22, 2010

To the Board of Commissioners
of Barry County, Michigan
Hastings, Michigan

Compliance

We have audited the compliance of the *County of Barry, Michigan* 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 each of its major federal programs for the year ended December 31, 2009. The County of Barry, Michigan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County of Barry, Michigan's management. Our responsibility is to express an opinion on the County of Barry, Michigan's compliance based on our audit.

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 Non-Profit 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 the County of Barry, 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 of the County of Barry, Michigan's compliance with those requirements.

In our opinion, the County of Barry, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2009-4 and 2009-5.

Internal Control Over Compliance

Management of the County of Barry, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Barry, 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 and to test and report an internal control over compliance in accordance with OMB Circular A-133, 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 of Barry, Michigan'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.

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 deficiencies, 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.

The County of Barry, Michigan's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County of Barry, Michigan's responses, and accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of the audit committee, management, others within the organization, Board of Commissioners, and 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.

A handwritten signature in cursive script that reads "Lehmann Johnson".

**INDEPENDENT AUDITORS' REPORT ON SCHEDULE OF
EXPENDITURES OF FEDERAL AWARDS**

June 22, 2010

To the Board of Commissioners
of Barry County, Michigan
Hastings, Michigan**Schedule of Expenditures of Federal Awards**

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 the *County of Barry, Michigan*, as of and for the year ended December 31, 2009, which collectively comprise the basic financial statements, and have issued our report thereon dated June 22, 2010. We did not audit the financial statements of the Barry County Road Commission discretely presented component unit, the Barry County Medical Care Facility (Thornapple Manor) enterprise fund, the Barry County Transit enterprise fund, or the Barry County Substance Abuse Services special revenue fund. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our report on these financial statements insofar as it related to the amounts included for the Barry County Road Commission, the Barry County Medical Care Facility (Thornapple Manor), the Barry County Transit, and Barry County Substance Abuse Services was based solely on the reports of other auditors.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise Barry County, Michigan'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.



BARRY COUNTY, MICHIGAN
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2009

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? x yes no

Significant deficiency(ies) identified
not considered to be material weaknesses? 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 deficiency(ies) identified
not considered to be material weaknesses? yes x none reported

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

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section 510(a)? x yes no

BARRY COUNTY, MICHIGAN
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2009

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
14.239	Home Investment Partnerships Program
93.563	Child Support Enforcement Program

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

Finding 2009-1 Material Audit Adjustments
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 certain adjustments, which were approved and posted by management. Of these adjustments, certain amounts were material to the financial statements, and others were significant, but not material.

Cause: This condition was caused by various oversights in decentralized locations in identifying relevant financial information and providing documentation to the County's outsourced accountants.

Effect: As a result of this condition, the County's accounting records were initially misstated by amounts material to the financial statements.

Recommendation: The adjustments noted above have been reviewed by management, posted to the County's records, and are reported correctly in the audited financial statements. Accordingly, no further corrective action is needed. However, we recommend that the County continue to strengthen its financial reporting processes in each of its department in order to minimize such occurrences in the future.

View of Responsible Officials: The County's outside accountant will continue to assist the various departments with the financial reporting process including but not limited to (1) implementing new internal control processes, (2) strengthening internal control processes currently in place, (3) proper recording of financial transactions and (4) verifying that all subsequent events have been properly accounted for.

BARRY COUNTY, MICHIGAN
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2009

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2009-

Segregation of Incompatible Duties
Significant Deficiency in Internal Control over Financial Reporting

Criteria:

Management is responsible for establishing and maintaining effective internal controls in order to safeguard the assets of the County. A key element of internal control is the segregation of incompatible duties within the accounting function.

Condition:

The County has several transaction cycles that are performed by the same individual or are not subject to independent review and approval, including: (1) physically receiving cash, recording cash receipts, balancing the cash drawers, and reconciling accounts receivable, (2) reconciling bank statements and processing cash receipts and disbursements, (3) initiating, evaluating, and approving investment transactions and maintaining/reconciling the general ledger for such accounts, (4) processing/approving the final payroll register prior to the release of checks, and (5) initiating and approving non-routine transactions, such as general journal entries.

Cause:

This condition is the result of staffing constraints typical of smaller governmental units.

Effect:

As a result of this condition, the County is exposed to increased risk that misstatement (whether caused by error or fraud) may occur and not be detected by management on a timely basis.

Recommendation:

While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls and the segregation of incompatible duties, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring as much independent review, reconciliation, and approval of accounting functions by qualified members of management as possible.

**View of Responsible
Officials:**

Management will evaluate the internal controls for each of these areas including contracting with an outside accountant to perform various functions to provide greater independent review.

BARRY COUNTY, MICHIGAN
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2009

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2009-4

Eligibility Determinations
U.S. Department of Health and Human Services
CFDA #93.563 – Child Support Enforcement Program
Immaterial Noncompliance

Criteria:

Grant recipients are required to have a process for determining whether individuals receiving assistance with such funding meet eligibility requirements as set by the grantor agency. In the case of this program, the number of eligible individuals directly affects the reimbursement received by the County. Individuals receiving services may not be included in the case count used for reimbursement until all required eligibility documentation is obtained.

Condition:

During our audit, we selected a sample of 40 individuals receiving assistance under the Title IV-D program. Of this sample, one file lacked evidence of eligibility.

Cause:

This condition was caused by control deficiency identified in the prior year whereby cases were considered eligible under Title IV-D prior to receipt of a signed application (in anticipation that it would be forthcoming). In the current year, the County made a significant effort to develop policies and procedures and to review all active case files for completeness. The case in question appears to have been an inadvertently overlooked in this process.

Effect:

As a result of this condition, the case counts used as the basis for the County's reimbursement requests were misstated by an immaterial amount.

Questioned Costs:

No costs were questioned as a result of this finding, inasmuch as the error in the eligible case count resulted in an inconsequential over-reimbursement to the County for the period audited.

Recommendation:

As noted previously, the County has already developed policies and procedures to address this issue. We recommend that program management continue to review case files periodically to determine whether appropriate documentation of eligibility exists.

**View of Responsible
Officials:**

The Friend of the Court office will continue to critique the processes in place to ensure that (1) case files contain appropriate documentation to support eligibility and (2) individuals are not included in the case count for eligible services prior to the documentation being obtained and filed.

BARRY COUNTY, MICHIGAN
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended December 31, 2009

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Concluded)

Finding 2009-5	Timeliness of Reporting U.S. Department of Health and Human Services CFDA #93.563 – Child Support Enforcement Program Immaterial Noncompliance
Criteria:	Recipients of federal awards are required to submit timely and accurate reports to the awarding agency in accordance with federal compliance requirements and/or pass-through agency agreements.
Condition:	While the County did, in fact, file all required reports for this program with the Michigan Department of Human Services, certain reports required under the provisions of the grant agreement were not filed by the stated due dates.
Cause:	This condition was caused by change in personnel at the third-party provider to which the County outsources the preparation of these reports.
Effect:	As a result of this condition, the County failed to fully comply with the reporting requirements of this program.
Questioned Costs:	No costs were questioned as a result of this condition as all reports were eventually submitted.
Recommendation:	We recommend that the County reiterate to its third-party provider the importance of having timely reports available. A management-level individual should be assigned the responsibility for monitoring the report due dates and ensuring that each report is submitted by the stated deadline.
View of Responsible Officials:	A management level individual will continually monitor the performance of the third-party provider to ensure that reports are submitted to the State on a timely basis. In conjunction with reiterating the importance of timely reporting to the third-party provider, management will also explore other means of compiling the reports for submission to the State.

SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS

Finding 2008-1	Material Audit Adjustments Finding was repeated for unrelated audit adjustments. Refer to Finding 2009-1.
Finding 2008-2	Segregation of Incompatible Duties While certain changes were made in 2009, corrective action was not complete. Refer to Finding 2009-2.
Finding 2008-3	Unreconciled/Unsupported Agency Fund Liabilities While progress was made in 2009, corrective action was not complete. Refer to Finding 2009-3.

BARRY COUNTY, MICHIGAN
Schedule of Findings and Questioned Costs (Concluded)
For the Year Ended December 31, 2009

SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS (CONCLUDED)

Finding 2008-4

Internal Controls over Eligibility

CFDA# 93.563 – Child Support Enforcement Program

Appropriate internal controls were developed and put in place during 2009. However, one additional instance of noncompliance was noted in the current year. Refer to Finding 2009-4.

Finding 2008-5

Activities Allowed or Unallowed

CFDA# 14.239 – Home Investment Partnership Program

Corrective action was sufficient.

* * * * *