

County of Barry,  
Michigan



Year Ended  
December 31,  
2012

Single Audit Act  
Compliance

# COUNTY OF BARRY, MICHIGAN

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INDEPENDENT AUDITORS' REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY OMB CIRCULAR A-133

June 17, 2013

Honorable members of the Board of Commissioners  
of the County of Barry  
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* (the "County"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's financial statements. We have issued our report thereon dated June 17, 2013, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors. 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 Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* 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 basic 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.

A handwritten signature in blue ink that reads "Rehmann Lohorn LLC".

COUNTY OF BARRY, MICHIGAN

Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2012

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Agriculture				
Food Donation Program:				
FY 2012	10.565	RIII-B	12BCCOA1	\$ 25,737
FY 2013	10.565	RIII-B	13BCCOA1	19,483
				<u>45,220</u>
National Forest Revenue	10.665	MDNR	-n/a-	<u>8</u>
Total U.S. Department of Agriculture				<u>45,228</u>
U.S. Department of Housing and Urban Development				
Community Development Block Grant				
	14.228	MSHDA	MSC-2011-0769-HOA	79,022
Home Investment Partnerships Program (HOME)	14.239	MSHDA	M-2010-0769	<u>183,444</u>
Total U.S. Department of Housing and Urban Development				<u>262,466</u>
U.S. Department of Justice				
Edward Byrne Memorial Justice Assistance Grant Program Cluster:				
FY 2012 Adult Felony Drug Court	16.738	MSCAO	SCAO-2012	75,911
FY 2013 Adult Felony Drug Court	16.738	MSCAO	SCAO-2013	22,823
FY 2012 Juvenile Drug Court	16.738	MSCAO	SCAO-2012-003	51,339
FY 2013 Juvenile Drug Court	16.738	MSCAO	SCAO-2013-003	20,854
FY 2012 Southwest Enforcement Team	16.738	MSP	70888-4-12-B	11,735
FY 2013 Southwest Enforcement Team	16.738	MSP	70888-5-13-B	<u>10,693</u>
Total U.S. Department of Justice				<u>193,355</u>
U.S. Department of Health and Human Services				
Aging cluster:				
Title III-B Special Programs for the Aging, Grants for Supportive Services and Senior Centers:				
FY 2012	93.044	RIII-B	12BCCOA1	7,431
FY 2013	93.044	RIII-B	13BCCOA1	4,097
Title III-C Special Programs for the Aging, Nutrition Services:				
FY 2012 Nutrition Congregate	93.045	RIII-B	12BCCOA1	56,497
FY 2013 Nutrition Congregate	93.045	RIII-B	13BCCOA1	19,413
FY 2012 Nutrition Home Delivered Meals	93.045	RIII-B	12BCCOA1	21,264
FY 2013 Nutrition Home Delivered Meals	93.045	RIII-B	13BCCOA1	<u>18,733</u>
				<u>127,435</u>
Title III-E/National Family Caregiver Support:				
FY 2012	93.052	RIII-B	SFSC-04-10001-5	17,079
FY 2013	93.052	RIII-B	SFSC-04-11001-5	235
				<u>17,314</u>
Promoting Safe and Stable Families	93.556	MDHS	WRAP-11-08001	<u>22,876</u>

continued...

COUNTY OF BARRY, MICHIGAN

**Schedule of Expenditures of Federal Awards**  
For the Year Ended December 31, 2012

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:				
FY 2012 Friend of the Court	93.563	MDHS	CS/FOC-10-08001	\$ 390,490
FY 2013 Friend of the Court	93.563	MDHS	CS/FOC-13-08001	128,435
Incentive Payments	93.563	MDHS	-n/a-	84,271
FY 2012 Prosecuting Attorney	93.563	MDHS	CS/PA-10-08002	27,270
FY 2013 Prosecuting Attorney	93.563	MDHS	CS/PA-13-08002	10,400
				<u>640,866</u>
Access and Visitation Grant	93.597	MSCAO	-n/a-	<u>850</u>
Title IV-E - Foster Care	93.658	MDHS	PROFC 11-08001	<u>3,157</u>
Total U.S. Department of Health and Human Services				<u>812,498</u>
U.S. Department of Homeland Security				
Emergency Management Performance Grant:				
FY 2012	97.042	MSP	2012-EP-00044-S01	22,837
FY 2013	97.042	MSP	2013-EP-00044-S01	7,084
				<u>29,921</u>
Homeland Security Grant	97.067	COVB	08-00019	<u>17,713</u>
Total U.S. Department of Homeland Security				<u>47,634</u>
Total Expenditures of Federal Awards				<u>\$ 1,361,181</u>
				concluded

See notes to schedule of expenditures of federal awards.

# COUNTY OF BARRY, 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 the County of Barry, Michigan (the "County") under programs of the federal government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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.

The County's reporting entity is defined in Note 1 of the County's Annual Financial Report. The County's financial statements include the operations of the Barry County Road Commission and the Barry County Transit discretely-presented component units, which received federal awards that are not included in the Schedule for the year ended December 31, 2012, as these entities were separately audited.

### 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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, 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.

### 3. OTHER FEDERAL REVENUE

The County is an indirect beneficiary of federal funds that are expended directly by the Michigan Department of Transportation. These expenditures (which totaled \$13,634 for the year ended December 31, 2012 through MDOT Contract No. FM 08-01-C27) are included in the single audit for the State of Michigan.

### 4. PASS-THROUGH AGENCIES

The County receives certain federal grant 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
COVB	County of Van Buren, Michigan
MDHS	Michigan Department of Human Services
MSHDA	Michigan State Housing Development Authority
MDNR	Michigan Department of Natural Resources
MSCAO	Michigan State Court Administrative Office
MSP	Michigan State Police
RIII-B	Region 3B Area Agency on Aging



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 17, 2013

Honorable members of the  
Board of Commissioners  
of the County of Barry  
Hastings, 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 the *County of Barry, Michigan* (the "County"), as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 17, 2013. Our report includes a reference to other auditors who audited the financial statements of the Barry County Road Commission, the Barry County Medical Care Facility (Thornapple Manor), and the Barry County Transit, 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 audits of the Barry County Road Commission and the Barry County Medical Care Facility (Thornapple Manor) were not performed 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.

Our consideration of 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and 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 2012-FS-01 to be a material weakness.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2012-FS-02 and -03 to be significant deficiencies.

#### 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*.

#### County of Barry, Michigan's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

#### 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.

A handwritten signature in black ink that reads "Rehmann Lobson LLC". The signature is written in a cursive, flowing style.



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH  
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

June 17, 2013

Honorable members of the  
Board of Commissioners  
of the County of Barry  
Hastings, Michigan

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

We have audited the compliance of the *County of Barry, Michigan* (the "County") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2012. The County's major federal programs are 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 Barry County Transit, which received \$321,427 in federal awards which are not included in the schedule for the year ended December 31, 2012. Our audit, described below, did not include the operations of the Barry County Transit because it arranged for a separate financial statement audit and did not meet the criteria for a single audit in accordance with A-133, as expenditures of directly administered federal awards did not exceed \$500,000.

*Management's Responsibility*

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

*Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and 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's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

#### *Opinion on Each 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 each of its major federal programs for the year ended December 31, 2012.

#### *Other Matters*

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-SA-01. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance finding 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 compliance and, accordingly, we express no opinion on the response.

#### **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 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'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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2012-SA-01 that we consider to be a significant deficiency.

The County's response to the internal control over compliance finding 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 compliance and, accordingly, we express no opinion on the response.

*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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*Rehmann Loborn LLC*

# COUNTY OF BARRY, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2012

### 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?  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?  X  yes   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

Identification of major programs:

#### CFDA Number

14.239  
93.563

#### Name of Federal Program or Cluster

Home Investment Partnerships Program (HOME)  
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

# COUNTY OF BARRY, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2012

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2012-FS-01 - Material Audit 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 a material adjustment (which was approved and posted by management) to adjust the County's general fund investments and interest income, which were each initially overstated by approximately \$90,000. In addition, the audit identified the need to reallocate property tax revenue between the various voter-approved purposes, resulting in a quantitatively material adjustment to the Thornapple Manor debt service fund.

Cause. The cash adjustment appears to be the result of a formula error in the spreadsheet used to calculate the quarterly fair market value adjustment. The error occurred in the March 31, 2012 quarter-end adjustments and remained undetected until the audit. The property tax reallocation by fund appears to be the result of allocating tax receipts from local units based solely on millage rates, which excluded certain complicating factors, such as renaissance zones.

Effect. As a result of this condition, the County's general fund and Thornapple Manor debt service funds with initially misstated by amounts that are deemed quantitatively material to the respective opinion units.

Recommendation. Management has already taken appropriate corrective action by reviewing and approving the proposed audit adjustments. In future years, we recommend that all bank reconciliations and related journal entries be independently reviewed and traced to source documents, when available, in order to prevent misstatements due to error or fraud.

View of Responsible Officials. Management agrees with the adjustments proposed by its auditors, and they have been posted in the County's records. Bank reconciliations will be reviewed in detail and traced to source documents. The property tax revenue allocation process will be reviewed and updated to ensure proper allocation.

# COUNTY OF BARRY, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2012

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2012-FS-02 - Independent Review of General Journal Entries

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. Management is responsible for establishing effective internal controls to safeguard the County's assets, and to prevent or detect misstatements to the financial statements. Incompatible accounting duties should be assigned to different employees to the extent practical, or be subjected to documented review and approval by an independent administrator. Journal entries, while an essential part of any accounting system, represent an opportunity to enter information into the County's records in a way that bypasses normal internal controls. Accordingly, the County should have a system in place to ensure that all journal entries and similar adjustments made to the County's accounting records are reviewed and approved by an appropriate member of management or the County's contracted accountants (independent of the preparer).

Condition. The County has contracted with a local accounting firm to assist in various accounting functions. Included in these functions is periodic review of bank reconciliations, general journal entries, state and federal grant activity, and accumulation of data for external financial reporting. Other accounting functions remain the responsibility of a single individual without formal independent oversight by another County employee or the contracted accountants. For journal entries, independent review by the contracted accountants is limited to a random selection of entries made in certain, selected months and did not include selections from throughout the entire year. In addition, the entries reviewed were selected from the County's monthly journal entry folders instead of a system generated report, which also limited the population. General journal entries reviewed through this process comprised approximately 5 percent of the total quantity of general journal entries posted. The remaining entries were not subject to a documented review by either the contracted accountant or another County employee.

Cause. This condition appears to be caused by an oversight in determining the appropriate population for sampling purposes, and the limited availability of knowledgeable individuals to review the large quantity of general journal entries.

Effect. The County has reviewed the segregation of incompatible accounting functions and availability of resources and determined that the periodic oversight being provided by its contracted accountants is sufficient to mitigate risk of misappropriation or fraud.

Recommendation. While there are, of course, no easy answers to the challenge of balancing the costs and benefits of internal controls, we would nevertheless encourage management to actively seek ways to further strengthen its internal control structure by requiring current staff to perform independent review on journal entries. Ideally, a supervisor or another employee of the same department should be performing a cursory review and approval of all general journal entries, including tracing to supporting documents for accuracy. This review should be documented by signing/initialing and dating a printed copy of the entry, which should be attached to supporting documents and retained. The periodic spot checks by the contracted accountants could continue to be performed as an additional layer of oversight. To the extent that the contracted accountants continue to perform a periodic review of journal entries, we recommend that the method of selection used for the review process consider the entire population of journal entries posted (i.e. by obtaining a system generated reports and sampling from entries posted over the course of the entire year)) and that the selection process incorporate an element of sampling coverage.

# COUNTY OF BARRY, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2012

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2012-FS-02 - Independent Review of General Journal Entries (Concluded)

View of Responsible Officials. Management will update its existing procedures to include an independent review and sign off of all journal entries.

# COUNTY OF BARRY, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2012

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2012-FS-03 - Internal Controls over Preparation of the Schedule of Expenditures of Federal Awards

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. OMB Circular A-133, § \_\_\_\_.300, requires that a recipient of federal awards subject to a single audit “identify, in its accounts, all Federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the federal agency, and name of the pass-through entity.” In addition, the County is required to “prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards in accordance with § \_\_\_\_.310.”

Condition. Management was able to provide us with an initial Schedule of Expenditures of Federal Awards in a timely manner. However, we noted several errors in the Schedule, which collectively were significant, but not material, to the Schedule as a whole. These errors included omission of a certain federal award, inadvertent inclusion of State funding, and an oversight in listing a discontinued grant with the prior year expenditures.

Cause. This condition was primarily caused by the decentralized nature of County operations and certain grants being administered by individuals not aware of the importance of communicating award information to the County’s contracted accountants.

Effect. As a result of this condition, the County’s Schedule of Expenditures of Federal Awards was initially misstated by an amount that was significant, but not material to the Schedule of Expenditures of Federal Awards.

Recommendation. We recommend that the County develop a centralized process for tracking federal grants awarded, identifying applicable compliance requirements, and ensuring that the applicable grant manager(s) are provided the necessary training and resources in order to administer the award in accordance with the provisions of the OMB Circular A-133 Compliance Supplement and the grant agreement.

View of Responsible Officials. Management will update and reevaluate its existing procedures to ensure the accuracy of federal grants reported on the Schedule of Expenditures of Federal Awards.



# COUNTY OF BARRY, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2012

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

#### 2012-SA-01 - Errors in Financial Reports

**Finding Type.** Immaterial Noncompliance / Significant Deficiency in Internal Control over Compliance (Cash Management / Reporting).

**Program.** Child Support Enforcement Program; U.S. Department of Health and Human Services; CFDA Number 93.563; Passed through the Michigan Department of Human Services; Award Numbers CS/FOC-10-08001, CS/FOC-13-08001, CS/PA-10-08002, and CS/PA-13-08002.

**Criteria.** Recipients of federal awards are required to report various financial information to the grantor or pass-through agency, as specified in the grant agreement and/or the OMB Circular A-133 Compliance Supplement. Additionally, in accordance with 2 CFR section 215.22 funds should be disbursed before requesting reimbursement from the grantor. For this particular award, monthly financial status reports are submitted to the pass-through grantor agency. These reports serve as the mechanism for cash reimbursement. Accordingly, the County should have internal controls over the accumulation of financial data in these reports.

**Condition.** The County's monthly reports under the Child Support Enforcement Program were completed and submitted, as required. However, we noted certain instances in which the reported amounts disagreed with the County's underlying accounting records. The actual amounts involved were insignificant both individually and in the aggregate.

**Cause.** This condition appears to be the result of two separate causes: (1) Errors were made in manually accumulating financial information from the County's general ledger (deemed to be the official accounting records) in a spreadsheet that is sent to a third-party contract that assists with report preparation. (2) A formula error existed in the spreadsheet used by the third-party to summarize this financial data in the format required by the pass-through grantor agency. Although the County receives the reports from the third-party prior to submission (which is initiated and certified by County personnel), the reports are not independently reviewed or reconciled to the general ledger.

**Effect.** As a result of this condition, the County submitted financial reports with errors and the County was reimbursed for costs in advance of actual expenditures. While the known errors were insignificant in amount, the lack of an established review processes exposed the County to the risk that significant errors in financial reports could be submitted to the pass-through grantor and not be detected internally.

**Questioned Costs.** No costs have been questioned as a result of this finding inasmuch as the amounts involved were below the threshold to trigger reporting.

**Recommendation.** We recommend that all grant reports be subjected to independent review and approval by the County prior to submission in order to ensure that reported amounts agree to the underlying accounting records. Even though the actual data is submitted to the pass-through grantor through a secure website, we encourage the individual performing this review to sign and date a printed copy of the report as evidence of the review, and file it internally along with any supporting documentation used to substantiate the amounts.

**View of Responsible Officials.** Management will update its existing procedures to include a review and approval process of the grant report prior to submission.

# COUNTY OF BARRY, MICHIGAN

## Summary Schedule of Prior Audit Findings For the Year Ended December 31, 2012

### Finding 2011-FS-1 - Material Audit Adjustments

The audit identified the need for certain material adjustments (which were approved and posted by management) to adjust the County's general ledger to the appropriate balances. The specific adjustments necessary in 2011 were not repeated in the current year. However, as indicated at 2012-FS-01, unrelated audit adjustments were necessary in the current year.

### Finding 2011-SA-1 - Timeliness of Financial Reporting. CFDA Number 93.563 - Child Support Enforcement

The County failed to meet required reporting deadlines for federal programs. The OMB has changed its guidance and has since indicated testing of compliance with reporting timeliness is no longer required. As a result, no further response on this matter is required.

