

County of Barry,  
Michigan



Year Ended  
December 31,  
2014

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, 2015

Board of Commissioners  
County of Barry, Michigan  
Hastings, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, 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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 17, 2015, 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 OMB Circular A-133 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 other 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



COUNTY OF BARRY, MICHIGAN

**Schedule of Expenditures of Federal Awards**  
For the Year Ended December 31, 2014

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>				
Food Donation Program:				
FY 2014	10.565	R3B	14BCCOA1	\$ 39,053
FY 2015	10.565	R3B	15BCCOA1	17,187
				<u>56,240</u>
National Forest Revenue	10.665	MDNR	-n/a-	<u>9</u>
<b>Total U.S. Department of Agriculture</b>				<u>56,249</u>
<b>U.S. Department of Housing and Urban Development</b>				
Community Development Block Grant	14.228	MSHDA	MSC-2011-0769-HOA	1,211
Community Development Block Grant	14.228	MSHDA	MSC-2012-0769-HOA	193,377
<b>Total U.S. Department of Housing and Urban Development</b>				<u>194,588</u>
<b>U.S. Department of Justice</b>				
Bulletproof Vest Partnership Program	16.607	Direct	-n/a-	<u>3,569</u>
Edward Byrne Memorial Justice Assistance Grant Program Cluster:				
FY 2014 Adult Felony Drug Court	16.738	MSCAO	2013-MU-BX-0051	81,308
FY 2015 Adult Felony Drug Court	16.738	MSCAO	2014-H3675-MI-DJ	21,808
FY 2014 Juvenile Drug Court	16.738	MSCAO	SCAO-2014-003	53,503
FY 2015 Juvenile Drug Court	16.738	MSCAO	SCAO-2015-003	23,331
FY 2014 Southwest Enforcement Team	16.738	MSP	2013-DJ-BX-0109	10,551
				<u>190,501</u>
<b>Total U.S. Department of Justice</b>				<u>194,070</u>
<b>U.S. Department of Transportation</b>				
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grant:				
FY 2014	20.601	MSP	AL-14-05	39,477
FY 2015	20.601	MSP	AL-15-05	16,588
<b>Total U.S. Department of Transportation</b>				<u>56,065</u>
<b>U.S. Department of Health and Human Services</b>				
Aging Cluster:				
Title III-B Special Programs for the Aging, Grants for Supportive Services and Senior Centers:				
FY 2014	93.044	R3B	14BCCOA1	6,052
FY 2015	93.044	R3B	15BCCOA1	16,364
Title III-C Special Programs for the Aging, Nutrition Services:				
FY 2014 Nutrition Congregate	93.045	R3B	14BCCOA1	55,298
FY 2015 Nutrition Congregate	93.045	R3B	15BCCOA1	23,892
FY 2014 Nutrition Home Delivered Meals	93.045	R3B	14BCCOA1	28,780
FY 2015 Nutrition Home Delivered Meals	93.045	R3B	15BCCOA1	7,818
				<u>138,204</u>

continued...

COUNTY OF BARRY, MICHIGAN

**Schedule of Expenditures of Federal Awards**  
For the Year Ended December 31, 2014

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
<b>U.S. Department of Health and Human Services (concluded)</b>				
Title III-E/National Family Caregiver Support:				
FY 2014	93.052	R3B	SFSC-04-11001-5	\$ 17,052
FY 2015	93.052	R3B	SFSC-04-11001-5	1,938
				<u>18,990</u>
Child Support Enforcement:				
Title IV-D Program	93.563	MDHS	CS/COM-14-08003	602,428
Incentive Payments	93.563	MDHS	-n/a-	96,636
				<u>699,064</u>
Access and Visitation Grant	93.597	MSCAO	-n/a-	150
				<u>150</u>
<b>Total U.S. Department of Health and Human Services</b>				<u>856,408</u>
<b>U.S. Department of Homeland Security</b>				
Emergency Management Performance Grant:				
FY 2014	97.042	MSP	EMW-2014-EP-00023-S01	24,210
FY 2015	97.042	MSP	-n/a-	7,393
				<u>31,603</u>
Homeland Security Grant Program:				
Citizen's Corporation Grant - FY 2011	97.067	COVB	EMW-2011-SS-00103	2,525
State Homeland Security Program - Planning FY 2011	97.067	COVB	EMW-2011-SS-00103	26,180
State Homeland Security Program - Equipment FY 2011	97.067	COVB	EMW-2011-SS-00103	1,391
State Homeland Security Program - Training FY 2012	97.067	COVB	EMW-2012-SS-00055	30,995
State Homeland Security Program - Training FY 2013	97.067	COVB	EMW-2013-SS-00049	1,343
Non-cash Assistance:				
FY 2011	97.067	COVB	EMW-2011-SS-00103	45,050
FY 2012	97.067	COVB	EMW-2012-SS-00055	48,570
FY 2013	97.067	COVB	EMW-2013-SS-00049	6,261
				<u>162,315</u>
<b>Total U.S. Department of Homeland Security</b>				<u>193,918</u>
<b>Total Expenditures of Federal Awards</b>				<u>\$ 1,551,298</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, 2014. 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, 2014, 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 will be included in the State of Michigan’s single audit, are as follows:

Project Name	CFDA Number	Contract Number	Amount Expended
Rehab Taxiway D&E Construction	20.106	D-26-0043-2012	\$ 35,365
Rehab Taxiway B Construction	20.106	B-26-0043-2111	14,999
Rehab Taxiway B Construction	20.106	B-26-0043-2211	125,667
			<u>\$ 176,031</u>

# COUNTY OF BARRY, 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
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
R3B	Region 3B Area Agency on Aging

### 5. SUBRECIPIENTS

The County administers a certain federal award program through subrecipients. Those subrecipients are not considered part of the County's reporting entity. Of the federal expenditures presented in the Schedule, the County provided \$1,060 under the Homeland Security Grant Program (CFDA number 97.067) to subrecipients.



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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 17, 2015

Board of Commissioners  
County of Barry, Michigan  
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, 2014, 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, 2015. 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 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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2014-001 and 002 to be material weaknesses.

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.

#### 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 them.

#### Purpose of this Report

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

*Rehmann Johnson LLC*

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

June 17, 2015

Board of Commissioners  
County of Barry, Michigan  
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, 2014. 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 Road Commission and the Barry County Transit, which received \$300,512 and \$202,469 in federal awards, respectively, and which are not included in the schedule for the year ended December 31, 2014. Our audit, described below, did not include the operations of the Barry County Transit or the Barry County Road Commission because these entities arranged for separate financial statement audits and did not meet the criteria for a single audit in accordance with A-133.

*Management's Responsibility*

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

*Independent 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, 2014.

### *Other Matters*

The results of our auditing procedures disclosed instances of noncompliance, 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 2014-003, -004, and -006. Our opinion on each major federal program is not modified with respect to these matters.

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

### *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 certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2014-003, -004, and -005 that we consider to be significant deficiencies.

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

*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 Lobson LLC*

# COUNTY OF BARRY, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2014

### SECTION I - SUMMARY OF AUDITORS' RESULTS

#### Financial Statements

Type of auditors' report issued: 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?  X  yes   none reported

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

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

Identification of major programs:

#### CFDA Number

93.563  
97.067

#### Name of Federal Program or Cluster

Child Support Enforcement  
Homeland Security Grant 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, 2014

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2014-001 - Prior Period Adjustment

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. A receivable was not recorded in the prior year for the fourth quarter State per capita distribution in the E-911 special revenue fund. In our opinion, this amount was quantitatively material to the E-911 special revenue fund opinion unit.

Cause. This condition was primarily caused by an oversight in recording this year-end transaction, which was excluded from the closing process.

Effect. As a result of this condition, the County's financial statements were misstated by an amount that we deemed to be quantitatively material to the applicable opinion unit.

Recommendation. We encourage the County to review receipts subsequent to year-end to ensure that amounts are recognized as revenue in the period they are earned. Similarly, receivables recorded initially based on estimates should be compared to actual amounts received up to the point of audit issuance. Any variances between estimated and actual should be considered for adjustment.

View of Responsible Officials. The County's contracted accountants detected this misstatement internally and proposed the correcting entry. The appropriate balances are reflected in the audited financial statements. Management will be cognizant of these types of transactions in the future.

# COUNTY OF BARRY, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2014

### SECTION II - FINANCIAL STATEMENT FINDINGS

2014-002 - Internal Controls over Preparation of the Schedule of Expenditures of Federal Awards (Repeat Finding)

Finding Type. Material Weakness 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 a quantitatively material adjustment to the amount reported for the Homeland Security Grant Program. In addition, we identified a variety of other errors primarily related to the omission of certain federal awards, incorrect award numbers, and errors in year-end accruals.

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 material to the financial statements.

Recommendation. We recommend that the County develop a centralized process for tracking federal grants awarded, identifying applicable compliance requirements, and ensuring that applicable information is provided to the County’s accountants at year-end.

View of Responsible Officials. The County has undergone training on grant administration and is implementing processes to ensure accurate reporting.

# COUNTY OF BARRY, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2014

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

#### 2014-003 - Internal Controls over Subrecipient Monitoring

**Finding Type.** Immaterial Noncompliance / Significant Deficiency in Internal Control over Compliance (Subrecipient Monitoring).

**Program.** Homeland Security Grant Program; U.S. Department of Homeland Security; CFDA Number 97.067; Passed through the County of Van Buren; Award Numbers EMW-2011-SS-00103, EMW-2012-SS-00055, and EMW-2013-SS-00049.

**Criteria.** Recipients of federal awards that subgrant funds to other entities are responsible for compliance with requirements related to subrecipient monitoring, as detailed in the OMB Circular A-133 Compliance Supplement. Among these requirements are (1) communicating basic award information (such as the CFDA number, award name, US granting agency, and applicability of Single Audit requirements), (2) assessing the risks of subrecipient noncompliance and using this information to prepare a monitoring plan, and (3) conducting monitoring of the subrecipient's use of federal awards to provide reasonable assurance that the program is being administered in compliance with laws, regulations, and the provisions of contracts or grant agreements, and that performance goals are achieved.

**Condition.** The County provides non-cash grant assistance to various local units of government by subawarding equipment and supplies for emergency management purposes. The County did not communicate the CFDA number to the subrecipients and in some instances, the transfer of ownership form (indicating that the equipment was funded with a Homeland Security grant) was not executed until more than a year after the equipment was physically transferred. In addition, the County had no process in place for obtaining subrecipient audits, reviewing the single audit report for findings related to the pass-through funding, and ensuring that amounts reported on the subrecipient SEFAs were in agreement with the County's records. The County did not perform any monitoring procedures in the current year nor did it evaluate subrecipients with respect to their ability to comply with federal regulations.

**Cause.** The condition appears to be the result of inadequate grant management at a decentralized department. Non-cash subawards were received and passed through this decentralized department and facilitated by individuals who are not experienced in federal awards administration or single audit act compliance.

**Effect.** As a result of this condition, the County did not fully comply with certain compliance requirements of this grant and was subject to the risk that equipment and supplies passed-through to other entities did not comply with the requirements of the award agreement or the provisions of OMB Circular A-133.

**Questioned Costs.** No costs were required to be questioned as a result of this condition, as we are not aware of any actual unallowable costs at the subrecipient level.

# COUNTY OF BARRY, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2014

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

#### 2014-003 - Internal Controls over Subrecipient Monitoring (Concluded)

Recommendation. We recommend that the County implement a subrecipient monitoring process. This should include timely correspondence with those responsible for financial reporting at each subrecipient entity regarding the CFDA number and dollar amount of awards provided, requesting subrecipient single audit reports and reviewing such information for completeness and any relevant findings, and providing written follow-up when deficiencies are noted. Since the local units receiving the subawards may be operating under different fiscal year ends than the County itself, it is important that this communication be made timely and clearly indicate the date of the subaward.

View of Responsible Officials. The County has undergone training on grant administration and is implementing processes to ensure accurate reporting.

# COUNTY OF BARRY, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2014

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

#### 2014-004 - Internal Controls over Reporting and Cash Management (Repeat Finding)

**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 Number CS/COM-14-08003.

**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. These reports are prepared by a third-party contractor based on information manually typed into a spreadsheet by the Clerk's office. After the report has been drafted by the third party, it is provided to the Friend of the Court office for submission to DHS. The accuracy of the original data is not reviewed and reconciled to the general ledger, nor is the draft report compared to the source data for accuracy. We noted several minor discrepancies between the amounts reported and the County's general ledger.

**Cause.** This conditions appears to have been caused primarily by an oversight at the department level in understanding the importance of reviewing the third-party reports prior to submission.

**Effect.** As a result of this condition, 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. The actual errors noted in our testing were inconsequential.

**Questioned Costs.** No costs were required to be questioned as a result of this finding inasmuch as no unallowable expenditures were noted.

**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 original data provided to the third party and that such data is reconciled to the general ledger. 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 implemented a new review process that began in November 2014.

# COUNTY OF BARRY, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2014

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

#### 2014-005 - Internal Controls over Reporting and Cash Management (Repeat Finding)

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

Program. Homeland Security Grant Program; U.S. Department of Homeland Security; CFDA Number 97.067; Passed through the County of Van Buren; Award Numbers EMW-2011-SS-00103, EMW-2012-SS-00055, and EMW-2013-SS-00049.

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, periodic 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 Homeland Security Grant Program were completed and submitted, as required. However, such reports were not prepared based on the general ledger nor were they subject to review and approval by to submission.

Cause. This condition was caused by assigning the responsibility for preparing and submitting grant reports to an individual without access to the general ledger.

Effect. As a result of this condition, the lack of an established review process 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 were required to be questioned as a result of this finding inasmuch as no unallowable expenditures were noted.

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. 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. The County has undergone training on grant administration and is implementing processes to ensure accurate reporting.

# COUNTY OF BARRY, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended December 31, 2014

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

#### 2014-006 - Physical Inventory of Equipment

Finding Type. Immaterial Noncompliance (Equipment and Real Property Management).

Program. Homeland Security Grant Program; U.S. Department of Homeland Security; CFDA Number 97.067; Passed through the County of Van Buren; Award Numbers EMW-2011-SS-00103, EMW-2012-SS-00055, and EMW-2013-SS-00049.

Criteria. Recipients of federal awards are required to complete a physical inventory of equipment purchased or received relating to federal fund at least once every two years. Adequate records should be maintained to support the date this was performed as well as the items observed. Also, a detailed listing should be maintained of federally purchase equipment including (1) a description of the equipment, (2) the cost and acquisition date, (3) political subdivision the equipment was transferred to, (4) physical location of the equipment, and (5) any changes in the location of the equipment. This should be updated to include all equipment (both capitalized and noncapitalized) received by the County.

Condition. County management indicated that informal inventories occurred through the year, however there was no documentation prepared to support the items observed or the date of the observance. Additionally, the County tracks the equipment received under this grant award in a spreadsheet; however, it was not updated at year-end and did not include the acquisition date, current location, or pass-through information, as required.

Cause. The missing information in the equipment listing appears to be a result of an oversight in understanding the requirements of tracking federally-funded equipment.

Effect. As a result of this condition, the County did not fully comply with certain compliance requirements of this grant and the provisions of OMB Circular A-133.

Questioned Costs. No costs were required to be questioned as a result of this finding inasmuch as no unallowable expenditures were noted.

Recommendation. We recommend that the County prepare and retain documentation to support the physical inventory of equipment performed throughout the year. Any discrepancies noted should be reconciled. This documentation should be easily reconcilable to the complete list of equipment maintained by the County for financial statement presentation and should be available for review during the year-end audit process. In addition, the existing list should be updated to the extent possible to include the details required by the A-133 Compliance Supplement.

View of Responsible Officials. The County is currently working with the contracted accountant and modifying the inventory list to meet compliance requirements.

# COUNTY OF BARRY, MICHIGAN

## Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2014

### Finding 2013-FS-01 - Internal Controls over Preparation of the Schedule of Expenditures of Federal Awards

A number of adjustments were required to the original Schedule of Expenditures of Federal Awards provided by the County in order to agree to the underlying accounting records. Similar adjustments were necessary in the current year which were quantitatively material to the financial statements. This matter has been repeated as finding 2014-002.

### Finding 2013-FS-02 - Internal Controls over Accrued Sick and Vacation Time

We noted a variety of errors in the initial schedule of accrued sick and vacation time, primarily related to modifications to the original system-generated report. The schedule was not subject to any independent review or approval. Current year audit procedures indicated significant improvement. While there are still improvements to be made, repeating the finding was not considered necessary.

### Finding 2013-SA-01 - Grant Draws in Excess of Immediate Cash Needs CFDA # 14.228 - Community Development Block Grant

In certain instances, cash reimbursement was requested in advance of disbursement to vendors/contractors. A new procedure was implemented in the current year to ensure amounts are not requested in advance. This matter is considered resolved.

### Finding 2013-SA-02 - Internal Controls over Reporting and Cash Management CFDA # 93.563 - Child Support Enforcement Program

The audit identified errors in the reports submitted in the prior year. While the actual errors noted in the current year were inconsequential, a review process over these reports was not implemented until November. Accordingly, this finding has been repeated as finding 2014-004.

### Finding 2013-SA-03 - Internal Controls over Reporting and Cash Management CFDA # 97.067 - Homeland Security Grant Program

Reports under the Homeland Security Grant Program were not prepared based on the general ledger nor were they subject to review and approval prior to submission. There have not yet been any changes to this process. Accordingly, this finding has been repeated as item 2014-005.

