

Shiawassee
County,
Michigan



Year Ended
December 31,
2018

Single Audit Act
Compliance

SHIAWASSEE COUNTY, MICHIGAN

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

July 31, 2019

Board of Commissioners
of Shiawassee County, Michigan
Corunna, 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 *Shiawassee County, Michigan* (the "County") as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated July 31, 2019, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



SHIAWASSEE COUNTY, MICHIGAN

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2018

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Agriculture				
Supplemental Nutrition Program for Women, Infants, and Children (WIC):				
FY 17-18 Resident	10.557	MDHHS	20180093	\$ 261,937
FY 17-18 Breastfeeding	10.557	MDHHS	20180093	44,613
FY 18-19 Resident	10.557	MDHHS	20180093	87,312
FY 18-19 Breastfeeding	10.557	MDHHS	20180093	<u>13,998</u>
Total U.S. Department of Agriculture				<u>407,860</u>
U.S. Department of Housing and Urban Development				
Community Development - States Program	14.228	MEDC	MSC20140814HOA	<u>30,649</u>
U.S. Department of Justice				
Byrne Justice Assistance Grant	16.738	MSP	JAG-72282-3-18-BJA18	<u>37,000</u>
U.S. Department of Transportation				
Highway Safety Cluster - Alcohol Impaired Driving Countermeasures Incentive Program:				
17-18	20.601	MSCAO	SCAO-18-10739	<u>67,048</u>
Environmental Protection Agency				
Drinking Water State Revolving Fund Cluster - Capitalization Grants for Drinking Water State Revolving Funds -				
17-18	66.468	MDEQ	FS975487-16	<u>500</u>
U.S. Department of Health and Human Services				
Public Health Emergency Preparedness:				
FY 17-18 Pandemic Flu / Bioterrorism	93.069	MDHHS	20171135	85,622
FY 18-19 Pandemic Flu / Bioterrorism	93.069	MDHHS	-n/a-	<u>28,860</u>
				<u>114,482</u>
Immunization Cooperative Agreements:				
Immunization - Vaccines (noncash)	93.268	MDHHS	-n/a-	65,799
FY 17-18 Immunization - IAP	93.268	MDHHS	20170251	4,748
FY 18-19 Immunization - IAP	93.268	MDHHS	-n/a-	<u>1,389</u>
				<u>71,936</u>
PPHF Capacity Building Assistance				
FY 17-18 Immunization - IAP	93.539	MDHHS	20170251	21,875
FY 18-19 Immunization - IAP	93.539	MDHHS	-n/a-	<u>6,326</u>
				<u>28,201</u>
Child Support Enforcement (Title IV-D)				
Friend of the Court	93.563	MDHHS	CS/FOC-17-78001	502,000
Prosecuting Attorney	93.563	MDHHS	CS/PA-17-78002	145,139
Title IV-D Incentive Payments FY 2018	93.563	MDHHS	-n/a-	<u>112,973</u>
				<u>760,112</u>

continued...

SHIAWASSEE COUNTY, MICHIGAN

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2018

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (continued)				
Medicaid Cluster:				
Medical Assistance Program:				
FY 17-18 Medicaid Outreach	93.778	MDHHS	-n/a-	\$ 29,229
FY 17-18 CSHCS Medicaid Outreach	93.778	MDHHS	-n/a-	15,101
FY 18-19 CSHCS Outreach and Advocacy	93.778	MDHHS	-n/a-	5,000
				<u>49,330</u>
Maternal and Child Health Services Block Grant:				
FY 17-18 Local MCH	93.994	MDHHS	20171135	7,796
FY 18-19 Local MCH	93.994	MDHHS	-n/a-	10,274
				<u>18,070</u>
Total U.S. Department of Health and Human Services				<u>1,042,131</u>
U.S. Department of Homeland Security				
Hazardous Material Emergency Preparedness Planning Program				
FY 17-18 HMEP	20.703	MSP	HM-HMP-0558-16-01-00	2,196
FY 18-19 HMEP	20.703	MSP	HM-HMP-0558-16-01-00	9,205
				<u>11,401</u>
Pre-Disaster Mitigation Program	97.042	MSP	EMC-2017-EP-0002	<u>17,598</u>
Homeland Security Grant Program:				
2017 HSGP - Planning	97.067	MSP	EMC-2017-EP-001	<u>12,412</u>
Total U.S. Department of Homeland Security				<u>41,411</u>
Total Expenditures of Federal Awards				<u>\$ 1,626,599</u> concluded

See notes to schedule of expenditures of federal awards.

SHIAWASSEE COUNTY, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Shiawassee County, Michigan (the “County”) under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County.

The County’s reporting entity is defined in Note 1 of the County’s basic financial statements. The County’s financial statements include the operations of the Shiawassee County Road Commission, a discretely-presented component unit, which received federal awards that are not included in the Schedule for the year ended December 31, 2018, as the entity was 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 the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

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

3. 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
MDEQ	Michigan Department of Environmental Quality
MDHHS	Michigan Department of Health and Human Services
MEDC	Michigan Economic Development Corporation
MSP	Michigan Department of State Police
MSCAO	Michigan State Court Administrative Office



**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***

July 31, 2019

Board of Commissioners
of Shiawassee County, Michigan
Corunna, 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 *Shiawassee County, Michigan* (the "County"), as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated July 31, 2019. Our report includes a reference to other auditors who audited the financial statements of Shiawassee County Road Commission, 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-001, -002, -003 and -004 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-005 to be a significant deficiency.

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*.

Shiawassee County’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.



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

July 31, 2019

Board of Commissioners
of Shiawassee County, Michigan
Corunna, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of *Shiawassee County, Michigan* (the "County") with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of the County's major federal program for the year ended December 31, 2018. The County's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Shiawassee County Road Commission, which received \$826,282 in contracted federal awards, and which is not included in the schedule of expenditures of federal awards for the year ended December 31, 2018. Our audit, described below, did not include the operations of the Shiawassee County Road Commission because it arranged for a separate audit.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2018-006. Our opinion on the 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 it.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rehmann Lobson LLC

SHIAWASSEE COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2018

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? x yes no

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 x yes no

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

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

Dollar threshold used to distinguish between Type A and Type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 yes X no

SHIAWASSEE COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2018

SECTION II - FINANCIAL STATEMENT FINDINGS

2018-001 - Material Audit Adjustments (Repeated from Prior Year)

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

Criteria. All governments are required to prepare financial statements in accordance with generally accepted accounting principals (GAAP). This is a responsibility of the government's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting.)

Condition. As is the case with many smaller and medium sized entities, the County has historically relied on its independent auditors to assist in identifying certain adjustments that are necessary for the financial statements to be in conformance with GAAP as part of its external financial reporting process. Adjustments were necessary in order to present certain accounts in accordance with GAAP. The material adjustments that were proposed by the auditor and corrected by management were as follows: (1) overstatement of interest and administrative fees for delinquent taxes receivable in the delinquent tax revolving fund; (2) proper recording of additional capital assets in governmental activities; (3) understatement of accounts payable in drains component unit and non-major special revenue funds; (4) proper recording of debt proceeds for the Health Department; (5) various adjustments to reconcile cash that impacted most opinion units; (6) understatement of accrued payroll in most opinion units; (7) overstatement of beginning equity for the Health Department.

Cause. The County did not identify certain adjustments that were necessary for the financial statements to be presented in accordance with GAAP.

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

Recommendation. For the adjustments, we recommend an individual review year-end balances in the general ledger and agree or reconcile to supporting documentation and schedules and record adjustments as needed, to ensure everything is recorded properly and completely.

View of Responsible Officials. General Ledger accounts will be closely monitored to assure that there are no material misstatements in the future and all material adjustments are made prior to the commencement of the audit process. Any journal entries that are necessary will be made on a monthly basis upon reconciling financial statements and immediately posted to the general ledger.

SHIAWASSEE COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2018

2018-002 - Bank Reconciliations (Repeated from Prior Year)

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

Criteria. The State of Michigan has set a requirement that bank reconciliations should be completed within six weeks of each month end and also at year end. This is also an important part of ensuring effective control over the County's assets.

Condition. During our audit, several errors within the bank reconciliation process as well as reconciliations not being performed timely or at all for some accounts.

Cause. Management did not perform bank reconciliations for all bank and investment accounts maintained by the County, in a timely fashion or there were unresolved differences in the completed reconciliations.

Effect. As a result of this condition, the County has not complied with the State of Michigan requirements related to timely completion of bank reconciliations for certain bank and investment accounts.

Recommendation. We recommend that the County develop a written policy for complying with the State of Michigan's bank reconciliation policy and communicate this policy to all County employees that are responsible for performing bank and investment reconciliations.

View of Responsible Officials. Bank reconciliations will be completed within one month of the close of the prior month end and a report will be provided to the County Finance Committee on a monthly basis reflecting the status of the reconciliation process.

SHIAWASSEE COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2018

2018-003 - Control of Bank Accounts (Repeated from Prior Year)

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

Criteria. The State of Michigan requires that all cash and investment accounts be under the control of the local unit treasurer. No other individual may hold cash of the local unit, or open up a bank account to hold local unit cash or investments.

Condition. During our audit, we identified several bank accounts that are not under the control of the County treasurer.

Cause. Over the past several years, the County has not established effective policies and procedures related to the opening of bank accounts and who has the authority to open an account to hold County funds.

Effect. As a result of this condition, the County is not in compliance with the State's regulations that require all bank and investment accounts be under the control of the County treasurer.

Recommendation. Management should establish strong internal controls around opening bank accounts and establish and communicate to all departments of the County who has the authority to open bank and investment accounts to hold County funds.

View of Responsible Officials. The County Treasurer will assure that all the bank accounts are readily accessible and under the control of that office or in the office of their designee. The County will properly monitor all of the accounts and have them available for audit purposes and a report will be provided to the County Finance Committee on a monthly basis documenting all accounts have been properly reviewed and reconciled each month in preparation for future audits. This will assure that only accounts authorized by the County Treasurer will be allowed to bear the County's EIN.

SHIAWASSEE COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2018

2018-004 - Delinquent Annual Financial Report (Repeated from Prior Year)

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

Criteria. Michigan Public Act 2 of 1968 requires that the annual financial report shall be filed within six (6) months after the end of the fiscal year of the local unit.

Condition. For the year ended December 31, 2018, the audited financial statements are approximately a month delinquent to the State of Michigan.

Cause. The County was delinquent in providing financial information, including the necessary OPEB plan valuations, which was a new requirement this year in order for the County to comply and implement GASB 75, to complete the audit due to a change in key personnel.

Effect. The County will be required to file the "long form" for any borrowing requiring State approval for the next fiscal year. Additional costs are associated with filing the long form as opposed to filing the Qualifying Statement. In addition, for financial information to be beneficial to the users of the financial statements it needs to be timely, when the audit is submitted so late it becomes less relevant.

Recommendation. We recommend the County assure that the audit is completed timely but not any later than six (6) months subsequent to the fiscal year end.

View of Responsible Officials. The County will assure that they are appropriately prepared, and the financial systems adjusted adequately so that the audit can be conducted, and the audited financial statements can be issued and submitted to the State of Michigan with six (6) months after year end going forward.

SHIAWASSEE COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2018

2018-005 - Account Reconciliations between Opinion Units

Finding Type. Significant Deficiency 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 County cash balances held by the Treasurer for the Health Department and Medical Care Facility did not reconcile with the balances reported in the entity's separate general ledgers for the Health Department and the Medical Care Facility.

Cause. Management did not perform account reconciliations for account balances held for others and reported on the County's general ledger.

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

Recommendation. We recommend an individual reconcile the information held by the County for all related entities that maintain a separate general ledger system and record adjustments as necessary, to ensure everything is recorded properly and completely in each general ledger system.

View of Responsible Officials. The County Finance Director in conjunction with the Treasurer's office and the applicable Entity that maintains a separate general ledger for their accounting records will reconcile between the County's general ledger and the decentralized general ledger(s) on a monthly basis and connect any differences in a timely fashion.

SHIAWASSEE COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2018

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2018-006 - Written Policies Required by the Uniform Grant Guidance

Finding Type. Immaterial noncompliance (Cash Management and Allowable Costs/Cost Principles)

Federal programs:

Pass-through Michigan Department of Health and Human Services -

- Child Support Enforcement (CFDA# 93.563); U.S. Department of Health and Human Services; All project numbers

Criteria. The Uniform Grant Guidance requires a non-federal entity that has expended federal awards for a grant awarded on or after December 26, 2014 to have written policies pertaining to: 1) Payments (draws of federal funds and how to minimize the time lapsing between the receipt of federal funds and the disbursement to contractors/employees/subrecipients); 2) Determining the allowability of costs charged to federal programs; 3) Compensation (personnel and benefits policy); and 4) Travel costs (including mileage and per diems).

Condition. Although the County has processes in place to cover these areas, there are no formal written policies in place covering payments and allowability of costs.

Cause. This condition appears to be the result of a time lag in identifying the requirement and developing a plan for compliance.

Effect. As a result of this condition, the County did not fully comply with the Uniform Guidance applicable to the above noted grants.

Questioned Costs. No costs have been questioned as a result of this finding.

Recommendation. We are aware that the County is evaluating options using internal and external resources to take corrective action. We recommend that the County proceed with its selected option as soon as practical, but no later than the end of fiscal year 2019.

View of Responsible Officials. The County will begin to develop and work the written policies related to payments, allowability of costs, compensation, and travel costs through the County Board of Commissioner's approval process so that they are in place before the next audit. The County will assure these written policies that are put in place are in compliance with Uniform Guidance.



SHIAWASSEE COUNTY, MICHIGAN

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2018

Finding 2017-001 - Material Audit Adjustments

The audit identified the need for substantial adjustments to the County's accounting records, which impacted a variety of funds and financial statement areas that collectively had a material effect on the County's financial statements. This matter was repeated as finding 2018-001.

Finding 2017-002 - Material Prior Period Adjustments

The audit identified the need for material prior period adjustments to the County's accounting records, which impacted a variety of fund and financial statement areas that collectively has a material effect on the County's financial statements. This matter was corrected in 2018.

Finding 2017-003 - Bank Reconciliations

The audit noted that the bank reconciliations were not being completed and reviewed in a timely manner, as well as reconciliations not being performed at all for some accounts. This matter was repeated as finding 2018-002.

Finding 2017-004 - Control of Bank Accounts

The audit noted several bank accounts that are not under the control of the County Treasurer. This matter was repeated at finding 2018-003.

Finding 2017-005 - Delinquent Annual Financial Report

The County failed to timely file its annual audited financial statements which are due to the State of Michigan six (6) months subsequent to the fiscal year end. This matter was repeated at finding 2018-004.

Finding 2017-006 - Written Policies Required by the Uniform Grant Guidance

The County failed to comply with the Uniform Guidance as there are no formal written policies in place covering payments, procurement, and allowability of costs. This matter was repeated at finding 2018-006.





Shiawassee County

July 31, 2019

Community Engagement and Finance Division
Michigan Department of Treasury
Lansing, Michigan 48909

The County offers the following as its corrective action plan to the Schedule of Findings and Questioned Costs and Auditing Procedures Report for the December 31, 2018 Audit dated July 31, 2019.

CORRECTIVE ACTION PLAN

2018-001 Material Audit Adjustments

County personnel responsible for resolution: Finance Director with oversight by the County Finance Committee

Corrective Action Response: General Ledger accounts will be closely monitored to assure that there are no material misstatements in the future and all material adjustments are made prior to the commencement of the audit process. Any journal entries that are necessary will be made on a monthly basis upon reconciling financial statements and immediately posted to the general ledger.

Anticipated completion date: December 31, 2019

2018-002 Bank Reconciliations

County personnel responsible for resolution: Finance Director with assistance from the County Treasurer with oversight by the County Finance Committee

Correction Action Response: Bank reconciliations will be completed within one month of the close of the prior month end and a report will be provided to the County Finance Committee on a monthly basis reflecting the status of the reconciliation process.

Anticipated completion date: December 31, 2019

2018-003 Control of Bank Accounts

County personnel responsible for resolution: Finance Director with assistance from the County Treasurer with oversight by the County Finance Committee

Corrective Action Response: The County Treasurer will assure that all the bank accounts are readily accessible and under the control of that office or in the office of their designee. The County will properly monitor all of the accounts and have them available for audit purposes and a report will be provided to the County Finance Committee on a monthly basis documenting all accounts have been properly reviewed and reconciled each month in preparation for future audits. This will assure that only accounts authorized by the County Treasurer will be allowed to bear the County's EIN.

Anticipated completion date: December 31, 2019

2018-004 Delinquent Annual Financial Report

County Personnel responsible for resolution: Finance Director with oversight by the County Finance Committee

Corrective Action Response: The County will assure that they are appropriately prepared, and the financial systems adjusted adequately so that the audit can be conducted, and the audited financial statements can be issued and submitted to the State of Michigan with six (6) months after year end going forward.

Anticipated completion date: December 31, 2019

2018-005 Account Reconciliations Between Opinion Units

County Personnel responsible for resolution: Finance Director with assistance from the County Treasurer and oversight by the County Finance Committee

Corrective Action Response: The County Finance Director in conjunction with the Treasurer's office and the applicable Entity that maintains a separate general ledger for their accounting records will reconcile between the County's general ledger and the decentralized general ledger(s) on a monthly basis and connect any differences in a timely fashion.

Anticipated completion date: December 31, 2019

2018-006 Written Policies Required by the Uniform Grant Guidance

County Personnel responsible for resolution: Finance Director with oversight by the County Finance Committee

Corrective Action Response: The County will begin to develop and work the written policies related to payments, allowability of costs, compensation, and travel costs through the County Board of Commissioner's approval process so that they are in place before the next audit. The County will assure these written policies that are put in place are in compliance with Uniform Guidance.

Anticipated completion date: December 31, 2019

Michael Herendeen,
Shiawassee County Coordinator