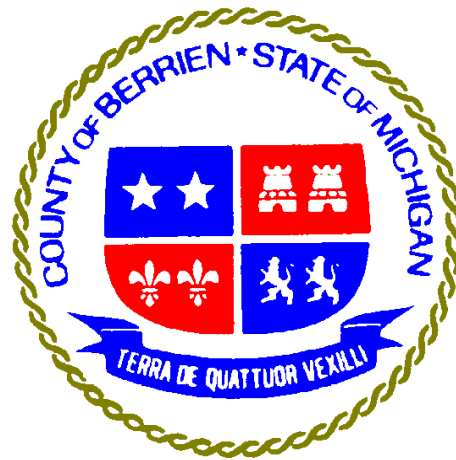


County of Berrien,
Michigan



Year Ended
December 31, 2016

Single Audit Act
Compliance

COUNTY OF BERRIEN, MICHIGAN

Table of Contents

	<u>Page</u>
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	1
Schedule of Expenditures of Federal Awards	2
Notes to Schedule of Expenditures of Federal Awards	7
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 <i>Government Auditing Standards</i>	8
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	10
Schedule of Findings and Questioned Costs	13
Summary Schedule of Prior Audit Findings	15
Supplemental Schedule for the Michigan Department of Transportation: Small Bus Program	16



**INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

June 23, 2017

Board of Commissioners
County of Berrien, Michigan
St. Joseph, 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 Berrien, Michigan* (the "County"), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 23, 2017, 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. In addition, the accompanying supplemental schedules of federal and state awards as required by the Michigan Department of Transportation are presented for the purpose of additional analysis and are 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 and the accompanying required supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rehmann Robson LLC

COUNTY OF BERRIEN, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Agriculture				
Child Nutrition Cluster:				
School Breakfast Program:				
2015/2016	10.553	MDE	n/a	\$ 12,463
2016/2017	10.553	MDE	n/a	4,517
National School Lunch Program:				
2015/2016	10.555	MDE	n/a	19,618
2016/2017	10.555	MDE	n/a	7,206
Snack Program:				
2015/2016	10.555	MDE	n/a	5,229
2016/2017	10.555	MDE	n/a	1,837
				<u>50,870</u>
Special Supplemental Food Program for Women, Infants and Children:				
2012/2013	10.557	MDHHS	n/a	8,755
2015/2016	10.557	MDHHS	IW100342	602,487
2016/2017	10.557	MDHHS	IW100342	197,358
WIC Breastfeeding:				
2015/2016	10.557	MDHHS	IW100342	9,543
2016/2017	10.557	MDHHS	IW100342	3,711
2015/2016	10.557	MDHHS	W500342	19,085
2016/2017	10.557	MDHHS	W500342	7,421
				<u>848,360</u>
Water and Waste Disposal Systems For Rural Communities - Grant Program				
	10.760	Direct	n/a	<u>134,496</u>
Total U.S. Department of Agriculture				<u>1,033,726</u>
U.S. Department of Housing and Urban Development				
Community Development Block Grant - CDBG Homeowner Assistance Program - 2015/2016				
	14.228	MSHDA	MSC-2015-1091-HOA	<u>91,645</u>
U.S. Department of Justice				
JAG Program:				
2014/2015	16.738	Direct	2014-DJ-BX-0821	173
2015/2016	16.738	Direct	2015-DJ-BX-0774	10,277
2016/2017	16.738	Direct	n/a	13,522
				<u>23,972</u>
JJMH Expanded Collaborative Strategic Plan - 2015/2016				
	16.745	Direct	2014-MO-BX-0037	<u>4,232</u>
Total U.S. Department of Justice				<u>28,204</u>
U.S. Department of Transportation				
Formula Grants for Rural Areas:				
Small Bus Program - Section 5311:				
2015/2016	20.509	MDOT	2012-0046	116,565
2016/2017	20.509	MDOT	2017-0021	40,633
				<u>157,198</u>

continued...

COUNTY OF BERRIEN, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Transportation (continued)				
Alcohol Enforcement:				
2015/2016	20.601	MDOT	410	\$ 13,358
2016/2017	20.601	MDOT	410	12,997
				<u>26,355</u>
Total U.S. Department of Transportation				<u>183,553</u>
U.S. Environmental Protection Agency				
Great Lakes Program:				
State Drinking Water Revolving Loan Fund Program -				
2015/2016	66.468	MDEQ	n/a	2,250
Great Lakes Program:				
2015/2016	66.468	MDEQ	n/a	313
2016/2017	66.468	MDEQ	n/a	134
				<u>2,697</u>
Beach Monitoring & Notification Program				
Implementation Grant:				
2014/2015	66.472	MDEQ	n/a	8,135
2014/2015	66.472	MDEQ	n/a	9,000
				<u>17,135</u>
Total U.S. Environmental Protection Agency				<u>19,832</u>
Bioterrorism:				
Emergency Preparedness:				
2015/2016- Oct 15 to June 16	93.069	MDHHS	NU90TP00528	51,142
2015/2016- July 16 to Sept 16	93.069	MDHHS	NU90TP00528	30,748
2016/2017- Oct 16 to June 17	93.069	MDHHS	NU90TP00528	35,728
Ebola Virus Disease (EVD) Phase II:				
2015/2016- Oct 15 to Sept 16	93.069	MDHHS	NU90TP00528	8,270
2016/2017- Oct 16 to Sept 17	93.069	MDHHS	NU90TP00528	454
				<u>126,342</u>
Tuberculosis Control Program and Aids -				
TB Control:				
2015/2016	93.116	MDHHS	1U52PS00469301	76
2016/2017	93.116	MDHHS	n/a	18
2016/2017	93.116	MDHHS	1U52PS00469301	6
				<u>100</u>
Family Planning Services:				
2015/2016	93.217	MDHHS	GFPHPA050173 41	66,255
2016/2017	93.217	MDHHS	n/a	6,713
2016/2017	93.217	MDHHS	GFPHPA050173 41	11,180
				<u>84,148</u>

continued...

COUNTY OF BERRIEN, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (continued)				
Immunization Grants:				
Infant Immunization Action Plan:				
2015/2016	93.268	MDHHS	H23 CCH522556	\$ 18,792
2016/2017	93.268	MDHHS	n/a	4,481
2016/2017	93.268	MDHHS	H23 CCH522556	2,134
Value of Federal Vaccines Received	93.268	MDHHS	n/a	173,192
Immunization Billing Practice Infrastructure -				
2015/2016	93.268	MDHHS	1H23IP000940-01	20,669
				<u>219,268</u>
Support for Expectant & Parenting Teens -				
MI Adolescent Pregnancy & Parenting Program:				
2015/2016	93.500	MDHHS	SP1AH000029 01	192,993
2016/2017	93.500	MDHHS	n/a	7,711
2016/2017	93.500	MDHHS	SP1AH000029 01	38,554
				<u>239,258</u>
Affordable Care Act Maternal, Infant and Early				
Childhood Home Visiting Program -				
Nurse Family Partnership -				
2015/2016	93.505	MDHHS	D89MC23151	196,155
NACCHO Breastfeeding -				
2015/2016	93.524	MDHHS	n/a	10,399
Infant Immunization Action Plan:				
2015/2016	93.539	MDHHS	H23 IP000752	41,369
2016/2017	93.539	MDHHS	n/a	4,410
2016/2017	93.539	MDHHS	H23 IP000752	6,757
				<u>52,536</u>
Title IV-D Child Support Enforcement:				
Incentive Payments:				
2015/2016	93.563	MDHHS	n/a	198,946
2016/2017	93.563	MDHHS	n/a	61,577
Friend of the Court:				
2015/2016	93.563	MDHHS	PROFC14-110011	1,125,588
2016/2017	93.563	MDHHS	PROFC17-11001	389,105
Prosecuting Attorney:				
2015/2016	93.563	MDHHS	CSPA-13-11002	186,664
2016/2017	93.563	MDHHS	CSPA-13-11002	72,920
				<u>2,034,800</u>
Positive Parenting Program:				
2015/2016	93.590	CTF	n/a	12,120
2016/2017	93.590	CTF	n/a	4,271
				<u>16,391</u>
Prosecuting Attorney Title IV-E:				
2014-2016	93.658	MDHHS	PROFC-14-11001	53,395
2017-2018	93.658	MDHHS	PROFC-17-11001	43,436
				<u>96,831</u>
MIPHAB - Accredited readers	93.758	MPHI	n/a	10,000

continued...

COUNTY OF BERRIEN, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (concluded)				
Medical Assistance Program:				
Children's Special Health Care Services:				
Medicaid Outreach -				
2016/2017	93.778	MDHHS	05U05M15ADM	\$ 28,379
Children's Special Health Care Services:				
2015/2016	93.778	MDHHS	05U05M15ADM	21,407
2016/2017	93.778	MDHHS	05U05M15ADM	25,465
Medicaid Outreach:				
2015/2016	93.778	MDHHS	05U05M15ADM	24,064
2016/2017	93.778	MDHHS	05U05M15ADM	8,323
Nurse Family Partnership Medicaid Outreach:				
2015/2016	93.778	MDHHS	05U05M15ADM	63,853
2016/2017	93.778	MDHHS	05U05M15ADM	32,450
Nurse Family Partnership:				
2015/2016	93.778	MDHHS	05U05M15ADM	91,802
2016/2017	93.778	MDHHS	05U05M15ADM	30,313
				<u>326,056</u>
Nurse Family Partnership -				
2016/2017	93.870	MDHHS	X10MC29482	<u>61,063</u>
HIV Prevention Activities - Health Department Based -				
AIDS/HIV Prevention:				
2015/2016	93.940	MDHHS	U62 PS003671	750
2016/2017	93.940	MDHHS	n/a	250
				<u>1,000</u>
Maternal and Child Health Services Block Grant:				
Fetal Infant Mortality Review:				
2015/2016	93.994	MDHHS	B1MMCHS	2,430
2016/2017	93.994	MDHHS	B1MMCHS	87
Family Planning Services:				
2015/2016	93.994	MDHHS	B1MMCHS	164,085
2016/2017	93.994	MDHHS	B1MMCHS	54,252
				<u>220,854</u>
Block Grants for Prevention and Treatment				
of Substance Abuse -				
Drug Prevention:				
2015/2016	93.959	SWMBH	n/a	185,792
2016/2017	93.959	SWMBH	n/a	57,708
				<u>243,500</u>
Total U.S. Department of Health and Human Services				<u><u>3,938,701</u></u>

continued...

COUNTY OF BERRIEN, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Homeland Security Emergency Management Performance Grant	97.042	MSP	EMW-2016-EP-00001	\$ 36,970
Homeland Security Grant Program - Regional Homeland Security Grant:				
2014/2015	97.067	VC	2014-SS-00059	6,390
2014/2015 (noncash)	97.067	VC	2014-SS-00059	2,970
2015/2016	97.067	VC	EM2015-S00033	3,624
				<u>12,984</u>
Total U.S. Department of Homeland Security				<u>49,954</u>
Total Expenditures of Federal Awards				<u>\$ 5,345,615</u>

concluded.

See notes to schedule of expenditures of federal awards.

COUNTY OF BERRIEN, 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 Berrien, Michigan (the "County") under programs of the federal government for the year ended December 31, 2016. 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 financial statements. The County's financial statements include the operations of the Berrien County Road Commission and the Berrien Mental Health Authority discretely presented component units, which each received federal awards that are not included in the schedule for the year ended December 31, 2016.

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
MDE	Michigan Department of Education
MDHHS	Michigan Department of Health and Human Services
MSHDA	Michigan State Housing Development Authority
MSP	Michigan State Police
MDOT	Michigan Department of Transportation
MDEQ	Michigan Department of Environmental Quality
MPHI	Michigan Public Health Institute
SWMBH	Southwest Michigan Behavioral Health
VC	Van Buren County
CTF	Michigan Children's Trust Fund



**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 23, 2017

Board of Commissioners
County of Berrien, Michigan
St. Joseph, 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 Berrien, Michigan* (the "County"), as of and for the year ended December 31, 2016, 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 23, 2017. Our report includes a reference to other auditors who audited the financial statements of the Berrien County Road Commission and the Berrien Mental Health Authority, 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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

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*.

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 County’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**

June 23, 2017

Board of Commissioners
County of Berrien, Michigan
St. Joseph, Michigan**Report on Compliance for Each Major Federal Program**

We have audited the compliance of the *County of Berrien, 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 programs for the year ended December 31, 2016. 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 Berrien County Road Commission and the Berrien Mental Health Authority. Our audit, described below, did not include the operations of the Berrien County Road Commission and the Berrien Mental Health Authority because they arranged for separate audits in accordance with the Uniform Guidance.

Management's Responsibility

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

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for 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 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). 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 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, 2016.

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 2016-001. Our opinion on each major federal program is not modified with respect to these matters.

The County's responses 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 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 2016-001, 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 it.

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.

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

COUNTY OF BERRIEN, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2016

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X 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

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>Opinion</u>
10.557	Special Supplemental Food Program for Women, Infants and Children (WIC)	Unmodified
93.563	Title IV-D 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

COUNTY OF BERRIEN, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2016

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

2016-001 - Allowable Costs/Cost Principles - Payroll Charges

Finding Type. Immaterial noncompliance; Significant deficiency in internal controls over compliance

Program. Child Support Enforcement (CFDA# 93.563); U.S. Department of Health and Human Services; Passed through the Michigan Department of Health and Human Services; Project numbers PROFC14-110011 and PROFC17-11001.

Criteria. The Uniform Guidance requires the County to support payroll charged to federal cost objectives with adequate documentation in accordance with the County's payroll policies, which require personnel activity reports for employees who are either 100% charged to a single federal cost objective or who split their time between multiple cost objectives, or semi-annual payroll certifications for those charged to a single federal cost objective. Personnel activity reports must reflect an after-the-fact distribution of the actual activity of each employee, account for the total activity of each employee, and be prepared bi-weekly to coincide with a pay period.

Condition. The County uses underlying payroll documentation to determine amounts to be charged to federal cost objectives. We noted that for 3 employees out of 40 selected for testing in our sample, the County did not reconcile amounts reported and charged to the grant based on underlying payroll documentation.

Cause. This condition appears to be the result of inadvertent errors by the County in preparing grant expenditure reports and the use of estimated amounts for salaries as opposed to actual amounts from payroll registers and other underlying documentation.

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 recommend that the County review its written policies and procedures over federal awards with employees responsible for grant compliance to ensure that they are followed consistently.

View of Responsible Officials. The County has developed grant policy and procedure that addresses payroll documentation and calculation of cost. Discussion has occurred with the employees responsible for grant compliance as noted in the finding and corrective action taken with regard to use of actual information from payroll registers. Further actions involve review of grant policies and procedures with regard to this finding and other grant criteria with employees responsible for grant compliance.



COUNTY OF BERRIEN, MICHIGAN

■ Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2016

2015-001 - Preparation of the Schedule of Expenditures of Federal Awards

The County was able to provide a mostly complete schedule of expenditures of federal awards (SEFA) at the beginning of audit fieldwork, however, a material adjustment to properly report the Water and Waste Water Disposal Systems loan was ultimately required resulting in changes to the total federal awards expended, which in turn required a reassessment of risk in determining and selecting major federal programs for testing. This finding was adequately resolved.

2015-002 - Significant Audit Adjustments

Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles ("GAAP"). The County's independent auditor identified and proposed various adjustments (which were approved and posted by management) that were significant, either individually or in the aggregate to the County's financial statements. This finding was adequately resolved.

2015-003 - Reporting - Quarterly Reports (Repeat Finding)

The County was unable to provide a reconciliation of expenditures in the ledger to the amounts reported on the Quarterly Section 5311 reports. This finding was adequately resolved.

2015-004 - Written Policies Required by the Uniform Grant Guidance

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) (§200.302(6)); 2) Procurement (including bidding and a conflict of interest policy) (§200.318); 3) Allowability of costs charged to federal programs (§200.302(7)); and 4) Compensation (personnel and benefits policy) (§200.430 and §200.431). Although the County had processes in place to cover these areas, there were no formal written policies covering payments and allowability of costs. This finding was adequately resolved.



COUNTY OF BERRIEN, MICHIGAN

Schedule of Expenditures of Federal and State Awards - Small Bus Program

For the Year Ended December 31, 2016

Federal Agency / Cluster / Program Title	CFDA Number	Pass-Through Entity	Pass-through Grantor Number	Expenditures
Federal				
U.S. Department of Transportation				
Small Bus Program - Section 5311	20.509	MDOT	2012-0046	\$ 116,565
Small Bus Program - Section 5311	20.509	MDOT	2017-0021	40,633
State				
Michigan Department of Transportation				
State Formula Operating Assistance	-n/a-	-n/a-	-n/a-	<u>390,260</u>
Total Expenditures of Federal and State Awards - Small Bus Program				<u><u>\$ 547,458</u></u>