

Shiawassee County, Michigan

**SUPPLEMENTARY INFORMATION
TO FINANCIAL STATEMENTS
(FEDERAL AWARDS)**

December 31, 2016

Shiawassee County, Michigan

TABLE OF CONTENTS

December 31, 2016

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE	1-3
SUPPLEMENTARY INFORMATION	
Schedule of Expenditures of Federal Awards	4-6
Notes to Schedule of Expenditures of Federal Awards	7-8
INDEPENDENT AUDITOR'S 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>	9-10
SCHEDULE OF FINDINGS AND QUESTIONED COSTS	11-13
CORRECTIVE ACTION PLAN	14
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS	15

Principals

Dale J. Abraham, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA



3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
Shiawassee County
Corunna, Michigan

Report on Compliance for Each Major Federal Program

We have audited Shiawassee County, Michigan's (the County) compliance 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 auditor's 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, discretely presented component unit, which expended \$746,860 in federal awards, which are not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2016. Our audit, described below, did not include the operations of the Shiawassee County Road Commission because the component unit engaged us to perform a separate audit and the Shiawassee County Road Commission did not have a single audit required because the Michigan Department of Transportation (MDOT) requires that road commissions report all federal and state grants pertaining to their county whether it is subject to single audit at their level or not. During the year ended December 31, 2016, the federal aid received and expended by the Road Commission was \$746,860 for contracted projects and \$0 for negotiated projects. Contracted projects are defined as projects performed by private contractors paid for and administrated by MDOT. The contracted federal projects are not subject to single audit requirements by the Road Commission, as they are included in MDOT's single audit. Negotiated projects are defined as projects performed by Road Commission employees or private contractors paid for and administered by the Road Commission.

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.

Auditor's 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 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 Each Major Federal Program

In our opinion, Shiawassee County, Michigan, 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.

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.

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.

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

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, 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 July 31, 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 the 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Abraham & Gaffney, P.C.

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 31, 2017

Shiawassee County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2016

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass Through Grantors Number</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Michigan Department of Health and Human Services			
Women, Infants and Children (WIC)			
FY 16-17 Resident	10.557	20170251	\$ 87,312
FY 16-17 Breastfeeding		20151758	9,012
FY 15-16 Breastfeeding		20161707	27,038
FY 15-16 Resident		20161707	264,646
			<hr/>
			388,008
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			
Passed through Michigan State Housing Development Authority			
Community Development Block Grant (CDBG) Program			
State's Program	14.228		
15-17 Housing		MSC20140814HOA	102,292
Passed through Michigan State Police			
Edward Byrne Memorial JAG Program			
2015 MAGNET	16.738		
		72282-2-MAGNET-15	12,194
U.S. DEPARTMENT OF TRANSPORTATION			
Passed through Michigan State Police			
Interagency Hazardous Materials Public Sector Training and Planning Grant			
	20.703	N/A	2,859
U.S. ENVIRONMENTAL PROTECTION AGENCY			
Passed through Michigan Department of Environmental Quality			
State Drinking Water Revolving Loan Fund Program	66.468		
FY 15-16		FS975487-14	1,405
FY 16-17		FS975487-15	243
			<hr/>
			1,648

Shiawassee County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2016

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass Through Grantors Number</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Passed through Michigan Department of Office on Services to the Aging and Valley Area Agency on Aging			
Title III-B Special Programs for the Aging ^(a) Grants for In-home Services, Chore, CCS, and Senior Centers	93.044	SCOA-16	\$ 33,547
Title III-C Special Programs for the Aging ^(a) 2016 Nutrition Congregate 2016 Nutrition Home Delivered Meals	93.045	SCOA-NUTR-16 SCOA-NUTR-16	41,608 <u>81,034</u>
			122,642
Nutrition Services Incentive Program ^(a) 2016 Nutrition Congregate 2016 Nutrition Home Delivered Meals	93.053	SCOA-NUTR-16 SCOA-NUTR-16	13,514 <u>43,086</u>
			<u>56,600</u>
Aging Cluster Total			212,789
Title III-E National Family Caregiver Support	93.052	SCOA-16	29,023
Passed through Michigan Department of Health and Human Services			
Public Health Emergency Preparedness ^(d) FY 16-17 Ebola Virus Disease FY 16-17 Pandemic Flu / Bioterrorism FY 15-16 Pandemic Flu / Bioterrorism	93.069	20170251 20170251 20161707	291 29,886 <u>83,431</u>
			113,608
Immunization Grants FY 16-17 IAP FY 15-16 IAP Vaccine Supply	93.268	20170251 20161707 N/A	6,792 9,001 <u>76,642</u>
			92,435
Prevention and Public Health Funds FY 16-17 IAP FY 15-16 IAP	93.539	20170251 20161707	2,145 <u>24,379</u>
			26,524

Shiawassee County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2016

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass Through Grantors Number</u>	<u>Current Year Expenditures</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONTINUED			
Passed through Michigan Department of Health and Human Services - Continued			
Medical Assistance Program	93.778		
FY 16-17 CSHCS Outreach and Advocacy		20170251	\$ 5,000
FY 15-16 Medicaid Outreach		20161707	22,459
FY 15-16 CSHCS Medicaid Outreach		20161707	19,436
FY 15-16 CSHCS Outreach and Advocacy		20161707	<u>15,276</u>
			62,171
Maternal and Child Health Services			
Block Grant to the States	93.994		
FY 16-17 Local MCH		20170251	10,273
FY 15-16 CSHCS		20161707	935
FY 15-16 Local MCH		20161707	<u>29,647</u>
			40,855
Child Support Enforcement (Title IV-D) ^(d)			
Cooperative Reimbursement	93.563		
Friend of the Court ^(b)			
12-16		CS/FOC-13-78001	337,857
16-21		CS/FOC-17-78001	102,660
Cooperative Reimbursement			
Prosecuting Attorney ^(b)			
12-16		CS/PA-13-78002	104,273
16-21		CS/PA-17-78002	36,454
Incentive Payments ^(c)			
2016 Regular		N/A	<u>120,683</u>
			701,927
U.S. DEPARTMENT OF HOMELAND SECURITY			
Passed through Michigan State Police			
Emergency Management Performance Grant	97.042		
FY 15 Regular		N/A	21,566
Passed through Michigan State Police and the City of Lansing			
13-14 HSG - SHSP	97.067	N/A	<u>10,837</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 1,818,736</u>

There were no funds that were provided to subrecipients from the above programs. Noncash assistance in the form of vaccine supply was provided to the County in 2016 and is reflected in the above schedule.

Shiawassee County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2016

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Shiawassee County, Michigan and is presented on the modified accrual basis of accounting. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements, which are reconciled in Note C. The County has elected not to use the 10 percent de minimus indirect rate allowed under the Uniform Guidance.

Federal Awards of the Shiawassee County Road Commission are excluded from the accompanying Schedule of Expenditures of Federal Awards. This component unit's audit report is issued under separate cover. Single Audits, when applicable, are included in their report. To view copies of those reports contact the administrative offices of the component unit or the Shiawassee County Administrators office.

NOTE B: SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE

The following descriptions identified below as (a)-(d) represent explanations that cross reference to amounts on the Schedule of Expenditures of Federal Awards:

- (a) Programs considered a cluster by the U.S. Department of Health and Human Services.
- (b) Reimbursements of these contracts are passed through the State Department of Human Services (DHS). The amounts reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective amounts based on 66% of Title IV-D eligible expenditures for the applicable grants. The entire amount paid by DHS for the reimbursed expenditures is considered Federal.
- (c) The reimbursements for the IV-D Incentive Payments Program are based on support payments collected. Expenditures have been reported to the extent of earned revenues and are 100% Federal.
- (d) Denotes program tested as a "major program".

Shiawassee County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended December 31, 2016

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the Federal revenues reported in the December 31, 2016, basic financial statements to the expenditures of the County administered Federal programs reported on the Schedule of Expenditures of Federal Awards:

	Federal/ State Revenue	Less: State Revenue and other adjustments	Federal Expenditures
PRIMARY GOVERNMENT			
GENERAL FUND			
CRP Prosecuting Attorney	\$ 140,727	\$ -	\$ 140,727
CRP Friend of the Court	440,517	-	440,517
ADC Maintenance Incentive	200,334	(79,651)	120,683
Emergency Management	32,403	-	32,403
Other Programs	2,656,038	(2,656,038)	-0-
TOTAL GENERAL FUND	3,470,019	(2,735,689)	734,330
OTHER GOVERNMENTAL FUNDS			
Health Department	1,996,489	(1,271,240)	725,249
Housing Rehabilitation	102,292	-	102,292
Emergency Management	2,859	-	2,859
MAGNET	12,194	-	12,194
Other Programs	906,288	(906,288)	-0-
TOTAL OTHER GOVERNMENTAL FUNDS	3,020,122	(2,177,528)	842,594
TOTAL PRIMARY GOVERNMENT	6,490,141	(4,913,217)	1,576,924
COMPONENT UNITS			
Council on Aging	471,866	(230,054)	241,812
Road Commission	9,441,691	(9,441,691) ⁽ⁱ⁾	-0-
TOTAL COMPONENT UNITS	9,913,557	(9,671,745)	241,812
TOTAL ENTITY-WIDE	\$ 16,403,698	\$ (14,584,962)	\$ 1,818,736

(i) The applicable Federal Funds are audited as part of the Single Audit at the Michigan Department of Transportation (MDOT) level and per MDOT directives are not subject to Single Audit at the County level.

Principals

Dale J. Abraham, CPA
Steven R. Kirinovic, CPA
Aaron M. Stevens, CPA
Eric J. Glashouwer, CPA
Alan D. Panter, CPA
William I. Tucker IV, CPA



3511 Coolidge Road
Suite 100
East Lansing, MI 48823
(517) 351-6836
FAX: (517) 351-6837

INDEPENDENT AUDITOR'S 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

Board of Commissioners
Shiawassee County
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, 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 July 31, 2017.

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, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses as 2016-001, 2016-002, and 2016-005.

Compliance and Other Matters

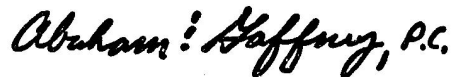
As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as: 2016-003 and 2016-004.

County's Responses to Findings

The County's responses to the findings identified in our audit are described in the accompanying corrective action plan. 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 entity'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.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

July 31, 2017

Shiawassee County, Michigan

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's 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? X Yes No

Federal Awards

Internal control over major Federal programs:

Material weakness(es) identified? Yes X No

Significant deficiency(ies) identified? Yes X None reported

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

Any audit findings disclosed that are required to be reported with 2 CFR 200.516(a)? Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
93.563	Child Support Enforcement (Title IV-D)
93.069	Public Health Emergency Preparedness

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? Yes X No

Section II - Financial Statement Findings

2016-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries to properly adjust cash, accounts receivable, due from other governmental units, accounts payable, interfund activity, drain activity, taxes receivable, and beginning equity were proposed by the auditors. These misstatements were not detected by the County's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the County's general ledger. A similar issue was noted and reported in our audit comments last year.

Criteria: Auditing standards emphasize that management is responsible for establishing, maintaining, and monitoring internal controls, and for the fair presentation in the financial statements of financial position, results of operations, and cash flows (where applicable), and the notes to the financial statements, including the recording of all appropriate journal entries so that the trial balances, from which the audited financial statements are prepared, reflect amounts that are in conformity with U.S. generally accepted accounting principles.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended December 31, 2016

Section II - Financial Statement Findings - Continued

2016-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS - CONTINUED

Cause: Management did not properly identify the misstatements and record the necessary adjustments.

Effect: The County's financial reports contained material misstatements that were not otherwise identified by management. Without the recording of these journal entries the financial statements would have been materially misstated.

Recommendation: We recommend that the County take steps to assure that material journal entries are not necessary at the time future audit analysis is performed.

2016-002 BANK RECONCILIATIONS

Condition: During our review of the County's internal controls, we noted that bank reconciliations were not always being completed and reviewed in a timely manner. This issue was noted and reported in our audit comments last year.

Criteria: The reconciliation process is an important part of the County's internal control and accounting procedures. The purpose of reconciliations is to ensure that general ledger account balances are supported by underlying transaction detail or third-party information. They also provide an important internal control, in that any differences identified between the underlying detail and an account balance through the reconciliation process may be indicative of an erroneous entry having been posted or inappropriate activity within the account.

Cause: Management did not perform bank reconciliations for all bank accounts maintained by the County, in a timely fashion.

Effect: Without timely reconciliations and review procedures, there is an increased risk of misstatement of assets or errors that might go undetected.

Recommendation: All bank reconciliations should be completed in a timely manner (monthly) and be reviewed and agreed to physical supporting documentation by the appropriate level of management within the County.

2016-003 UNAUTHORIZED INVESTMENTS

Condition: During our review of the County's investments, it was noted that the County held an investment in corporate bonds in the Council on Aging Fund as of December 31, 2016 that appear to not be an allowable investment under Michigan Compiled Law (MCL). This issue was noted and reported in our audit comments last year.

Criteria: Michigan Compiled Law (MCL), Section 129.91 (Public Act 20 of 1943, as amended), authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have office in Michigan. The County is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investments grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units or government in Michigan.

Cause: The County invested in corporate bonds which are not permitted by Public Act 20 of 1943, as amended.

Effect: The County currently holds assets in its Council on Aging Fund that are not in compliance with Public Act 20 of 1943, as amended.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS - CONTINUED

Year Ended December 31, 2016

Section II - Financial Statement Findings - Continued

2016-003 UNAUTHORIZED INVESTMENTS - CONTINUED

Recommendation: We recommend the County's management review the investment portfolio for compliance with Michigan Compile Laws and develop a plan to bring the portfolio into compliance without incurring losses of principal, if possible.

2016-004 DELINQUENT ANNUAL FINANCIAL REPORT

Condition: Annual audited financial statements are due to the State of Michigan six (6) months subsequent to the fiscal year end. For the year ended December 31, 2016, the audited financial statements are approximately one (1) month delinquent to the State of Michigan.

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.

Cause: The County did not prepare and submit census data related to its OPEB plan to the actuaries in a timely manner, resulting in the actuarial valuation not being received and available to complete the preparation of certain financial reports, which delayed the audit.

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 the filing for 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 within six (6) months subsequent to the fiscal year end.

2016-005 PRESENTATION OF COMPLETE AND ACCURATE TRIAL BALANCE

Condition: The general ledger maintained by the County during the year was not complete and accurate. During and subsequent to audit fieldwork, management adjusted the trial balance to prepare reconciliations and activity that had not yet been recorded such as compensated absences and jail commissary activity. The general ledger was subsequently corrected after audit fieldwork had been completed.

Criteria: Auditing standards emphasize that management is responsible for establishing, maintaining, and monitoring the financial position of the organization and in order to do this a complete and accurate trial balance is a fundamental cornerstone of that responsibility.

Cause: Management did not properly prepare and maintain a complete general ledger during the year. The County experienced significant turnover in key accounting positions during the year and as a result certain accounts and activities were not entered and accounts were not reconciled until several months after year end.

Effect: The County's general ledger contained balances that did not reflect the support provided during audit fieldwork.

Recommendation: We recommend the County take steps to ensure a complete and accurate general ledger is maintained throughout the year and properly reconciled and supported by detailed documentation at year end for audit purposes.

Section III - Federal Award Findings and Questioned Costs

None noted.

Shiawassee County, Michigan

CORRECTIVE ACTION PLAN

Year Ended December 31, 2016

2016-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

County personnel responsible for resolution: Financial Administrator, County Treasurer

Corrective action plan response: Entries to record transactions in due from other governments, interfund transfers, accounts payable, and drain activity are now being made as they occur. The taxes receivable entry will always come in after year end because of the nature of settlement with the State of Michigan, but an interim reconciliation will be in place after the March taxes due date.

Anticipated completion date: August 31, 2017

2016-002 BANK RECONCILIATIONS

County personnel responsible for resolution: Financial Administrator

Corrective action plan response: Acquire external accounting assistance to reconcile independent bank accounts quarterly and propose adjustments to general ledger balances.

Anticipated completion date: August 31, 2017

2016-003 UNAUTHORIZED INVESTMENTS

County personnel responsible for resolution: Financial Administrator, County Treasurer

Corrective action plan response: Work to sell improper investment for no less than acquisition cost as soon as practical. Local bond issues have less of a market than more widely traded securities, so disposing of the asset without incurring a loss may require time.

Anticipated completion date: December 31, 2017 if at all possible.

2016-004 DELINQUENT ANNUAL FINANCIAL REPORT

County personnel responsible for resolution: Financial Administrator

Corrective action plan response: Work to ensure that fiscal year 2017 audited financial statements are submitted to the State of Michigan within six (6) months after the fiscal year end.

Anticipated completion date: June 30, 2018

2016-005 PRESENTATION OF COMPLETE AND ACCURATE TRIAL BALANCE

County personnel responsible for resolution: Financial Administrator

Corrective action plan response: Acquire external accounting assistance to propose quarterly adjustments to County-wide trial balance.

Anticipated completion date: August 31, 2017

Shiawassee County, Michigan

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended December 31, 2016

FINDINGS/NONCOMPLIANCE

Significant Deficiencies and Material Weaknesses Related to Internal Controls Over the Financial Statements.

2015-001 MATERIAL JOURNAL ENTRIES PROPOSED BY AUDITORS

Condition: Material journal entries to properly adjust amounts due from other governmental units, interfund activity, accounts payable, drain activity, and taxes receivable were proposed by the auditors. These misstatements were not detected by the County's internal control over financial reporting. These entries were brought to the attention of management and were subsequently recorded in the County's general ledger.

Resolution: This issue is evaluated separately each year and was not resolved during the current audit. This condition is reported as 2016-001 in the current year.

2015-002 BANK RECONCILIATIONS

Condition: During our review of the County's internal controls, we noted that bank reconciliations were not always being completed and reviewed in a timely manner.

Resolution: This issue is evaluated separately each year and was not resolved during the current audit. This condition is reported as 2016-002 in the current year.

Findings Related to Compliance with Requirements Applicable to the Financial Statements.

2015-003 UNAUTHORIZED INVESTMENTS

Condition: During our review of the County's investments, it was noted that the County held an investment in corporate bonds in the Council on Aging Fund as of December 31, 2015 that appear to not be an allowable investment under Michigan Compiled Law (MCL).

Resolution: This issue was not resolved during the current audit. This condition is reported as 2016-003 in the current year.

Findings Related to Compliance with Requirements Applicable to Federal Awards and on Internal Control Over Compliance in Accordance with the Uniform Guidance.

No prior audit findings noted.