

Isabella County, Michigan

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

September 30, 2010

Isabella County, Michigan

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REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Commissioners
Isabella County, Michigan
Mt. Pleasant, Michigan

Compliance

We have audited the compliance of Isabella County, Michigan with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the Isabella County, Michigan's major federal programs for the year ended September 30, 2010. Isabella County, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal programs is the responsibility of Isabella County, Michigan's management. Our responsibility is to express an opinion on Isabella County, Michigan's compliance based on our audit.

Isabella County's basic financial statements include the operations of the Central Michigan District Health Department, Isabella County Transportation Commission, and the Isabella County Road Commission, discretely presented component units, which received \$3,921,249, \$872,837, and \$1,653,051 in federal awards, respectively, which are not included in the Schedule of Expenditures of Federal Awards for the year ended September 30, 2010. Our single audit did not include the operations of the Central Michigan District Health Department or Isabella County Transportation Commission discretely presented component units because the component units engaged us to perform a separate audit in accordance with OMB Circular A-133. The Isabella 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. During the year ended September 30, 2010, the Federal aid received and expended by the Road Commission was \$1,653,051 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 commissions, 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.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Isabella County, Michigan'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. Our audit does not provide a legal determination on Isabella County, Michigan's compliance with those requirements.

In our opinion, Isabella County, Michigan complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

The management of Isabella County, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Isabella County, Michigan's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Isabella County, Michigan'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.

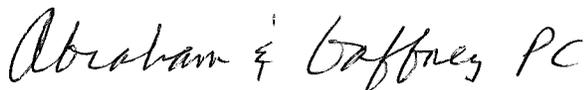
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule of Expenditures of Federal Awards

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 Isabella County, Michigan as of and for the year ended September 30, 2010, and have issued our report thereon dated March 28, 2011. We did not audit the financial statements of the Isabella County Road Commission, which represents 66% and 34%, respectively of the total assets and revenues of the component units and the Medical Care Facility which represents 64% and 81%, respectively of the total assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Road Commission and Medical Care Facility, are based solely on the reports of the other auditors.

Our audit was performed for the purpose of forming our opinions on the financial statements that collectively comprise Isabella County's basic financial statements. The accompanying schedule of expenditures of Federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended for the information and use of management and the Board of Commissioners of Isabella County, Michigan, others within the entity, the federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 28, 2011

Isabella County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended September 30, 2010

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass-Through Grantors Number	Current Year	
			Revenues	Expenditures
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through Michigan State Housing Development Authority Community Development Block Grant	14.228	MSC-2008-5824-HOA	\$ 56,216	\$ 56,216
U.S. DEPARTMENT OF JUSTICE				
Passed through the National Association of VOCA Assistance Administrators National Crime Victims Rights Week Community Awareness Project	16.582	2006-VF-GX-K024	2,304	2,304
Passed through Michigan Department of Community Health Office of Drug Control Policy Preserving the Record - ARRA ^(c)	16.803	50033-1-09-B	115,611	115,611
Bureau of Justice Assistance (Direct Program) FY 2009 Recovery Act Justice Assistance Grant Program - ARRA	16.804	2009-SB-B9-1917	12,726	12,726
TOTAL U.S. DEPARTMENT OF JUSTICE			130,641	130,641
U.S. DEPARTMENT OF TRANSPORTATION				
Highway Planning and Construction Grant - ARRA (Direct Program) ^(c)	20.205	AGF2009029	650,696	650,696
Passed through Michigan State Police Office of Highway Safety Planning Safe Communities Grant	20.600 20.601 20.602	PT-10-26 PT-10-26 PT-10-26	9,264 48,449 1,854	9,264 48,449 1,854
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			710,263	710,263

Isabella County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2010

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass-Through Grantors Number	Current Year	
			Revenues	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Passed through Michigan Department of Human Services				
Child Support Enforcement (Title IV-D)	93.563			
Cooperative Reimbursement ^(a)				
Friend of the Court		CS/FOC-10-37001	\$ 369,138	\$ 369,138
Prosecuting Attorney		CS/PA-10-37002	31,303	31,303
Title IV-D Incentive Payments ^(b)				
2010 Regular		N/A	84,646	84,646
			<u>485,087</u>	<u>485,087</u>
Passed through Region VII Area Agency on Aging				
Special Programs for the Aging				
Title III, Part D	93.043	N/A		
Medication Management			173	173
Title III, Part B ^{(c)(d)}	93.044	N/A		
Case Coordination and Support			33,343	33,343
Personal Care			3,662	3,662
Homemaker			8,299	8,299
Respite			1,720	1,720
POS CM Personal Care			81	81
POS CM Homemaking			630	630
			<u>47,735</u>	<u>47,735</u>
Title III, Part C-1 ^{(c)(d)}	93.045	N/A		
Congregate Meals			79,147	79,147
Home Delivered Meals			68,550	68,550
			<u>147,697</u>	<u>147,697</u>

Isabella County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONTINUED

Year Ended September 30, 2010

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass-Through Grantors Number	Current Year	
			Revenues	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - CONCLUDED				
Passed through Region VII Area Agency on Aging - concluded				
Special Programs for the Aging - concluded				
Title III, Part E	93.052	N/A		
Caregiver Training			\$ 14,448	\$ 14,448
Supplemental Funds			4,174	4,174
Kinship Care Funds			1,048	1,048
			<u>19,670</u>	<u>19,670</u>
Nutrition Services Incentive Program (NSIP) ^{(c)(d)}	93.053	N/A		
Congregate Meals			26,903	26,903
Home Delivered Meals			47,156	47,156
			<u>74,059</u>	<u>74,059</u>
Aging Home-Delivered Nutrition Services for States (ARRA) ^{(c)(d)}	93.705	N/A	7,278	7,278
Aging Congregate Nutrition Services for States (ARRA) ^{(c)(d)}	93.707	N/A	23,807	23,807
Medical Assistance Program	93.778	N/A	22,275	22,275
			<u>342,694</u>	<u>342,694</u>
Total passed through Region VII Area Agency on Aging				
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			827,781	827,781

Isabella County, Michigan

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONCLUDED

Year Ended September 30, 2010

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Pass-Through Grantors Number	Current Year	
			Revenues	Expenditures
U.S. DEPARTMENT OF HOMELAND SECURITY				
Passed through Michigan Department of Natural Resources 2010 Marine Safety Grant	97.012	N/A	\$ 8,831	\$ 8,831
Passed through West Michigan Shoreline Regional Development Commission 2007 Homeland Security Grant	97.067	N/A	8,712	8,712
2008 Homeland Security Grant			<u>1,604</u>	<u>1,604</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>19,147</u>	<u>19,147</u>
TOTAL FEDERAL FINANCIAL ASSISTANCE			<u>\$ 1,744,048</u>	<u>\$ 1,744,048</u>

Isabella County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

September 30, 2010

NOTE A: BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Isabella 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 OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. 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 below.

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) 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.
- (b) 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.
- (c) Denotes program tested as a "major program".
- (d) Program considered a cluster by the U.S. Department of Health and Human Services.

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The following reconciles the federal revenues reported in the September 30, 2010 basic financial statements to the expenditures of the County administered federal programs reported on the Schedule of Expenditures of Federal Awards:

	<u>Federal/ State Revenue</u>	<u>Less State/Local Revenue</u>	<u>Federal Award Expenditures</u>
PRIMARY GOVERNMENT			
GENERAL FUND			
Homeland Security	\$ 34,826	\$(24,510)	\$ 10,316
NCVRW grant	2,304	-	2,304
Byrne justice assistance grant	115,611	-	115,611
Prosecutor - CRP	31,303	-	31,303
Youth grant	48,449	-	48,449
Traffic enforcement	11,118	-	11,118
Sherriff grant	12,726	-	12,726
Marine safety grant	8,831	-	8,831
Other Programs	<u>1,407,369</u>	<u>(1,407,369)</u>	<u>-0-</u>
TOTAL GENERAL FUND	1,672,537	(1,431,879)	240,658

Isabella County, Michigan

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONCLUDED

September 30, 2010

NOTE C: RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - CONCLUDED

	<u>Federal/ State Revenue</u>	<u>Less State/Local Revenue</u>	<u>Federal Award Expenditures</u>
PRIMARY GOVERNMENT - CONTINUED			
SPECIAL REVENUE FUNDS			
Friend of the Court	\$ 453,784	\$ -	\$ 453,784
Commission on Aging Activities	429,497	(86,803)	342,694
CDBG Housing Assistance Grant	<u>56,216</u>	<u>-</u>	<u>56,216</u>
TOTAL SPECIAL REVENUE FUNDS	<u>939,497</u>	<u>(86,803)</u>	<u>852,694</u>
COMPONENT UNITS - DRAINAGE DISTRICTS			
County Drain Construction and Maintenance			
Intergovernmental - federal	<u>650,696</u>	<u>-</u>	<u>650,696</u>
TOTAL	<u>\$ 3,262,730</u>	<u>\$(1,518,682)</u>	<u>\$ 1,744,048</u>

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**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
Isabella County, Michigan
Mt. Pleasant, 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 Isabella County, Michigan as of and for the year ended September 30, 2010, which collectively comprise Isabella County's basic financial statements and have issued our report thereon dated March 28, 2011. We did not audit the financial statements of the Isabella County Road Commission, which represents 66% and 34%, respectively of the total assets and revenues of the component units and the Medical Care Facility which represents 64% and 81%, respectively of the total assets and revenues of the business-type activities. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the Road Commission and Medical Care Facility, are based solely on the reports of the other auditors. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Isabella County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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.

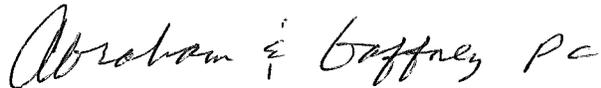
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying Schedule of Findings as 2009-1 and 2010-1 that we consider to be significant deficiencies in internal control over reporting. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Isabella County's financial statements are free of 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 an instance of noncompliance or other matters that is required to be reported under *Government Auditing Standards* and which is described in the accompanying Schedule of Findings as item 2010-2.

Isabella County's responses to the findings identified in our audit are described in the accompanying Schedule of Findings. We did not audit Isabella County's responses and, accordingly, we express no opinion on them.

This report is intended for the information and use of management and the Board of Commissioners of Isabella County, Michigan, others within the entity, the federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "Abraham & Gaffney PC".

ABRAHAM & GAFFNEY, P.C.
Certified Public Accountants

March 28, 2011

Isabella County, Michigan
 SCHEDULE OF FINDINGS
 Year Ended September 30, 2010

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weakness(es)? 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 deficiencies identified that are not considered to be material weakness(es)? _____ Yes X None reported

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

Any audit findings disclosed that are required to be reported with Section 501(a) of Circular A-133? _____ Yes X No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
16.803 93.044, 93.045, 93.053, 93.705, 93.707 20.205	Preserving the Record - ARRA Aging Cluster Highway Planning and Construction

Dollar threshold used to distinguish between Type A and Type B programs: \$ 300,000

Auditee qualified as low-risk auditee? X Yes _____ No

Section II - Financial Statement Findings

2010-1 REGISTER OF DEEDS

Condition: During our review of internal controls at the Register of Deeds Office, we noted several opportunities to strengthen internal control and segregate duties in the cash receipting procedures. Specifically, we noted:

- a. The cashiers do not maintain separate cash drawers.
- b. There is no log maintained of receipts received in the mail.
- c. Documentation is not retained to record who closed the cash drawers and who prepared the daily deposit slip.
- d. The cash drawer is generally locked, but the key is left in the lock during the day.

SCHEDULE OF FINDINGS - CONTINUED

Year Ended September 30, 2010

Section II - Financial Statement Findings - Continued

2010-1 REGISTER OF DEEDS - CONCLUDED

Criteria: The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e. receipts, disbursements, etc.).

Effect: The Register of Deeds Office is susceptible to fraudulent transactions as the internal controls and segregation of duties in these areas is inadequate.

Recommendation: We recommend that the Register of Deeds evaluate all aspects of the cash receipting function and consider taking action to correct the above deficiencies.

Corrective Action Response:

- a. The cashiers do not maintain separate cash drawers due to the limited amount of cash transactions performed in the regular course of business. It would be highly inefficient to have a separate cash drawer for each clerk. Management recognizes that an increased risk of fraud exists at a marginal level.
- b. Internal procedures compliant with Michigan statutes adequately address this finding. Documents, which need to be recorded by the office, accompany all incoming mail.
- c. In the future, two separate employees will balance the checks to the control report each day and initial that report. The clerk who prepares the daily deposit slip will initial the slip each day.
- d. The cash drawer will be locked after each transaction and the key removed from the lock.

2010-2 OUTSTANDING CHECKS NEED TO BE ESCHEATED

Condition: During our review of the General Fund, Sherriff Department, and Inmate Trust bank accounts, we noted that several of the outstanding checks were old and still outstanding. Some checks were written as far back as 2003.

Criteria: Michigan Public Act 29 of 1995 provides that the County report and escheat unclaimed property to the State of Michigan. Michigan Department of Treasury Numbered Letter 2009-1 also gives guidance on this subject.

Effect: The County is not in compliance with Public Act 29 of 1995.

Recommendation: We recommend that outstanding checks be reviewed on an annual basis and any checks that are outstanding for more than one year be appropriately escheated to the State of Michigan unless an outstanding check can be reissued to the payee.

Corrective Action Response: Management will review the outstanding checks with the departments listed and determine if the checks can be reissued to the payee or should be escheated to the State of Michigan. Future escheatments will be reviewed and handled appropriately.

2009-1 REPEAT AUDIT COMMENTS

Condition: During our review of internal controls at the Sheriff's Department, the Trial Court, Drain Office, Recycling Center, and Commission on Aging, we noted several opportunities to strengthen internal control and segregate duties in the cash receipting and disbursement procedures. These issues were noted and reported in our prior year audit comments. Specifically, we noted:

SCHEDULE OF FINDINGS - CONTINUED

Year Ended September 30, 2010

Section II - Financial Statement Findings - Continued

2009-1 REPEAT AUDIT COMMENTS - CONTINUED

Sheriff's Department:

- a. The cashiers do not maintain separate cash drawers.
- b. There is no log maintained of receipts received in the mail.
- c. Source documentation is not retained to support receipts.
- d. Any of the office staff, clerks, and corrections officers has the capability to receipt money and void receipts. Additionally, all of the clerks and corrections officers are authorized check signers for the Inmate Trust Account.
- e. The daily cash receipts reports are not compared to the posting to inmate accounts to ensure that the accounts are properly credited.
- f. The disbursements made from the Inmate Trust account are not reviewed prior to checks being prepared.
- g. The Department does not reconcile amounts due to individual inmates per the computer system to amounts held in the related bank account.

Trial Court:

- a. The cashiers do not maintain separate cash drawers, with access restricted to the assigned employee.
- b. There is no log maintained of receipts received in the mail.
- c. Source documentation is not retained to support receipts.
- d. The employee who reconciles the bank account is not independent of the cash receipting and disbursements process

Drain Office:

- a. The cashiers do not maintain separate cash drawers.
- b. All department employees are authorized to receipt money.

Recycling Center:

- a. The recycling center does not utilize a receipt book or other form of pre-numbered cash receipts.
- b. Administrative assistant opens the mail, performs cash receipting, and has access to the electronic records.

Commission on Aging:

- a. The Commission on Aging does not compare the mail log to bank deposits to ensure completeness. Multiple employees handle the receipts before they are recorded.
- b. The account clerk prepares deposit tickets, deposits the cash, and prepares a reconciliation spreadsheet for management review.

Criteria: The intent of internal control is to assure that no one individual is able to control all aspects of a transaction cycle (i.e. receipts, disbursements, etc.). The controls applicable to the Trial Court are required by the State of Michigan.

Effect: The Sheriff's Department, Trial Court, Drain Office, Recycling Center and Commission on Aging are susceptible to fraudulent transactions as the internal controls and segregation of duties in these areas is inadequate. The Trial Court is also not in compliance with applicable sections of the Michigan Court Administration Reference Guide.

Isabella County, Michigan
SCHEDULE OF FINDINGS - CONCLUDED
Year Ended September 30, 2010

Section II - Financial Statement Findings - Concluded

2009-1 REPEAT AUDIT COMMENTS - CONCLUDED

Recommendation: We recommend that the departments evaluate all aspects of their accounting functions and consider taking action to correct the above deficiencies.

Corrective Action Response: Management has reviewed the recommendations of the auditors and has determined that the changes recommended cannot be implemented in a cost effective manner in our current environment. Management recognizes that an increased risk of fraud exists due to these deficiencies.

Section III - Federal Award Findings and Questioned Costs

None noted.

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended September 30, 2010

FINDINGS/NONCOMPLIANCE

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

2009-1 REPEAT AUDIT COMMENTS

Condition: During our review of internal controls at the Sheriff's Department, the Trial Court, the Clerk's Office, and the Drain Office we noted several opportunities to strengthen internal control and segregate duties in the cash receipting and disbursement procedures.

Resolution: The Clerk's office has established a review process for void receipts, therefore we consider that aspect of the finding resolved. The Drain Office has implemented a mail log, therefore we consider that aspect to be resolved as well. No other changes were made at the Sheriff's Department, the Trial Court, or the Drain Office. We do not consider this issue to be resolved.

2009-2 RECYCLING CENTER PROCEDURES

Condition: During our review of internal controls at the Recycling Center, we noted some opportunities to strengthen internal control and segregate duties in the cash receipting procedures.

Resolution: This issue was not addressed and therefore has been repeated for 2010 as part of 2009-1. We do not consider this issue to be resolved.

2009-3 COMMISSION ON AGING PROCEDURES

Condition: During our review of internal controls at the Commission on Aging, we noted some opportunities to strengthen internal control and segregate duties in the cash receipting procedures.

Resolution: The Commission on Aging now utilizes a mail log, and has eliminated the account clerk's access to the mail; however, the remaining issues were not addressed and therefore have been repeated as part of 2009-1. We do not consider this issue to be resolved.

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

2007-9 OUTSTANDING CHECKS NEED TO BE ESCHEATED

Condition: During our review of the open bonds and restitution at the District Court, we noted that several of the outstanding checks were old and still outstanding. Some checks were written as far back as 2003. These items are unclaimed property and should be handled as such in accordance with Public Act 29 of 1995.

Resolution: These items were properly escheated to the State of Michigan during 2010. We consider this issue to be resolved.

2009-4 UNFAVORABLE BUDGET VARIANCES

Condition: During our review of the County's compliance with the budgeting act, we noted that expenditures had exceeded the amounts appropriated for various activities in the General Fund and two (2) Special Revenue Funds. In addition, the County budgeted for a deficit fund balance in three (3) Special Revenue Funds.

Resolution: This issue is evaluated separately each year. We consider this finding resolved.

Isabella County, Michigan

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS - CONCLUDED

Year Ended September 30, 2010

FINDINGS/NONCOMPLIANCE - CONCLUDED

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

2009-5 FUND DEFICIT

Condition: As of September 30, 2009, the Building Inspection Fund was reporting a fund deficit.

Resolution: This issue is evaluated separately each year. The current year did not have any funds reporting a deficit. We consider this issue resolved.

Findings Related to Compliance with Requirements Applicable to Federal Awards and Internal Control Over Compliance in Accordance with OMB Circular A-133.

No prior audit findings.