

Bay County,  
Michigan



Year Ended  
December 31,  
2019

Single Audit Act  
Compliance

# BAY COUNTY, MICHIGAN

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

July 31, 2020

Board of Commissioners  
Bay County, 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 *Bay County, Michigan* (the "County") as of and for the year ended December 31, 2019, 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, 2020, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



# BAY COUNTY, MICHIGAN

## Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2019

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Grant Period	Total Subawards	Federal Expenditures
U.S. Department of Agriculture						
Child Nutrition Cluster:						
Juvenile Home-National School Breakfast	10.553	MDE	90008002	10-01-18 to 09-30-19	\$ -	\$ 5,581
Juvenile Home-National School Breakfast	10.553	MDE	90008002	10-01-19 to 09-30-20	-	2,999
Juvenile Home-National School Lunch	10.555	MDE	90008002	10-01-18 to 09-30-19	-	11,306
Juvenile Home-National School Lunch	10.555	MDE	90008002	10-01-19 to 09-30-20	-	5,956
					-	25,842
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC):						
Women, Infants & Children Supplemental Food	10.557	MDHHS	IW100342	10-01-18 to 09-30-19	-	357,955
Women, Infants & Children Supplemental Food	10.557	MDHHS	IW100342	10-01-19 to 09-30-20	-	139,236
Women, Infants & Children Breastfeeding Peer Counseling	10.557	MDHHS	W500342	10-01-18 to 09-30-19	-	17,964
Women, Infants & Children Breastfeeding Peer Counseling	10.557	MDHHS	W500342	10-01-19 to 09-30-20	-	5,986
					-	521,141
Total U.S. Department of Agriculture					-	546,983
U.S. Department of Interior						
Partners for Fish and Wildlife - USFWS	15.631	Direct	F16AS000007	07-15-16 to 12-30-19	-	4,995
U.S. Department of Justice						
Safe Havens - Office of Violence Against Women	16.527	Direct	2012-CW-AX-K017	10-01-12 to 09-30-19	16,575	35,276
Victims of Crime Act (VOCA)-Abuse Intervention	16.575	MDHHS	CVA 20745-15V14	10-01-18 to 09-30-19	-	61,216
Victims of Crime Act (VOCA)-Abuse Intervention	16.575	MDHHS	CVA 20745-16V15	10-01-19 to 09-30-20	-	19,175
					-	80,391
Edward Byrne Memorial Justice Assistance Grant (JAG) Program:						
Justice Assistance Grant	16.738	Direct	2017-DJ-BX-0625	10-01-16 to 09-30-20	-	8,115
Justice Assistance Grant	16.738	Direct	2018-DJ-BX-0927	10-01-17 to 09-30-19	8,021	16,043
Edward Byrne Memorial Justice Assistance Grant	16.738	MSP	2015-MU-BX-0964	10-01-18 to 09-30-19	-	52,508
Edward Byrne Memorial Justice Assistance Grant	16.738	MSP	2015-MU-BX-0964	10-01-19 to 09-30-20	-	14,354
					8,021	91,020
Total U.S. Department of Justice					24,596	206,687
U.S. Department of Transportation						
Highway Planning and Construction Cluster:						
Highway Planning & Construction	20.205	MDOT	2015-0002/Z1	10-01-18 to 09-30-19	32,696	104,517
Highway Planning & Construction	20.205	MDOT	2015-0002/Z4	10-01-19 to 09-30-20	30,337	55,826
					63,033	160,343
Drug Recognition Expert	20.U01	N/A	N/A	10-01-18 to 09-30-19	-	361
Highway Safety Cluster:						
Traffic Enforcement Seat Belt/Impaired Driving	20.600	OHSP	PT-19-10	10-01-18 to 09-30-19	-	15,783
Traffic Enforcement Seat Belt/Impaired Driving	20.600	OHSP	PT-20-15	10-01-19 to 09-30-20	-	3,191
					-	18,974
Total U.S. Department of Transportation					63,033	179,678
U.S. Environmental Protection Agency						
Great Lakes Program:						
Kawkawlin River Watershed Implementation	66.460	EGLE	C997547-17	11-01-17 to 12-31-20	68,260	108,677
Nonpoint Source Implementation:						
Kawkawlin River Watershed Septic System Mapping and Outreach	66.460	EGLE	C997547-18	10-01-18 to 09-30-19	-	45,724
Kawkawlin River Watershed Septic System Mapping and Outreach	66.460	EGLE	C997547-18	10-01-19 to 09-30-20	-	15,007
					-	60,731
					68,260	169,408
Capitalization Grants for Drinking Water State Revolving Funds Cluster:						
Noncommunity Type II Public Drinking Water Supply PRG A	66.468	EGLE	FS975487-17	10-01-18 to 09-30-19	-	216
Beach Monitoring Program C	66.472	EGLE	CU00E99306	10-01-18 to 09-30-19	-	5,464

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# BAY COUNTY, MICHIGAN

## Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2019

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Grant Period	Total Subawards	Federal Expenditures
U.S. Environmental Protection Agency (concluded)						
Superfund State, Political Subdivision, and Indian Tribe Site - Specific Cooperative Agreements:						
EPI-Administration	66.802	MDHHS	V00E00740	10-01-18 to 09-30-19	\$ -	\$ 48,598
EPI-Administration	66.802	MDHHS	V00E00740	10-01-19 to 09-30-20	-	16,707
					-	65,305
Total U.S. Environmental Protection Agency					68,260	240,393
U.S. Department of Health and Human Services						
Aging Cluster:						
Title IIIB Case Coordination	93.044	Region VII	20161841	10-01-18 to 09-30-19	-	35,413
Title IIIB Case Coordination	93.044	Region VII	20161841	10-01-19 to 09-30-20	-	23,937
Title IIIB Nutrition Equipment	93.044	Region VII	20161841	10-01-18 to 09-30-19	-	10,000
					-	69,350
C-1 Congregate Meals	93.045	Region VII	20161841	10-01-18 to 09-30-19	-	62,049
C-1 Congregate Meals	93.045	Region VII	20161841	10-01-19 to 09-30-20	-	23,571
C-1 Special Meal	93.045	Region VII	20161841	10-01-18 to 09-30-19	-	10,000
C-2 Home Delivered Meals	93.045	Region VII	20161841	10-01-18 to 09-30-19	-	104,505
C-2 Home Delivered Meals	93.045	Region VII	20161841	10-01-19 to 09-30-20	-	69,985
					-	270,111
NSIP Congregate Meals	93.053	Region VII	20161841	10-01-18 to 09-30-19	-	19,954
NSIP Congregate Meals	93.053	Region VII	20161841	10-01-19 to 09-30-20	-	7,395
NSIP Home Delivered Meals	93.053	Region VII	20161841	10-01-18 to 09-30-19	-	91,890
NSIP Home Delivered Meals	93.053	Region VII	20161841	10-01-19 to 09-30-20	-	24,684
NSIP Millage Meal Sites	93.053	Region VII	20161841	10-01-18 to 09-30-19	-	931
NSIP Millage Meal Sites	93.053	Region VII	20161841	10-01-19 to 09-30-20	-	312
					-	145,166
Total aging cluster					-	484,627
National Family Caregiver Support, Title III, Part E:						
Title IIIE Caregiver Training	93.052	Region VII	20161841	10-01-18 to 09-30-19	-	9,676
Title IIIE Caregiver Training	93.052	Region VII	20161841	10-01-19 to 09-30-20	-	6,393
Title IIIE Caregiver Supplemental Services	93.052	Region VII	20161841	10-01-18 to 09-30-19	-	6,025
Title IIIE Caregiver Supplemental Services	93.052	Region VII	20161841	10-01-19 to 09-30-20	-	1,990
Title IIIE Kinship Care	93.052	Region VII	20161841	10-01-18 to 09-30-19	-	228
Title IIIE Kinship Care	93.052	Region VII	20161841	10-01-19 to 09-30-20	-	2,763
					-	27,075
Public Health Emergency Preparedness:						
Bioterrorism	93.069	MDHHS	U90TP000528	10-01-18 to 06-30-19	-	68,528
Bioterrorism	93.069	MDHHS	U90TP000528	07-1-19 to 09-30-19	-	27,147
Bioterrorism	93.069	MDHHS	U90TP000528	10-01-19 to 06-30-20	-	30,276
					-	125,951
Project Grants and Cooperative Agreements for Tuberculosis Control Programs:						
TB Control	93.116	MDHHS	U52CCU500499	10-01-18 to 09-30-19	-	76
TB Control	93.116	MDHHS	U52CCU500499	10-01-19 to 09-30-20	-	88
					-	164
Family Planning Services:						
Family Planning	93.217	MDHHS	GFPHPA05017341	10-01-18 to 09-30-19	-	47,004
Family Planning	93.217	MDHHS	GFPHPA05017341	10-01-19 to 09-30-20	-	17,488
					-	64,492
Advanced Nursing Education Grant Program:						
ANE Sub Award Wayne State	93.247	SVSU	D09HP29983	07-01-18 to 06-30-19	-	72,612
Nurse Education, Practice Quality and Retention Grants:						
Integrated Coll. Care Delivery	93.359	SVSU	UD7HP29871	07-01-18 to 06-30-19	-	76,210
Integrated Coll. Care Delivery	93.359	SVSU	UD7HP29871	07-01-19 to 06-30-20	-	48,319
					-	124,529
Immunization Cooperative Agreements:						
Immunization Action Plan	93.268	MDHHS	H23CCH522556	10-01-18 to 09-30-19	-	34,946
Immunization Action Plan	93.268	MDHHS	H23CCH522556	10-01-19 to 09-30-20	-	11,594
Immunization/Vaccines	93.268	MDHHS	H23CCH522556-01-4	10-01-18 to 09-30-19	-	130,641
Immunization-VFCA	93.268	MDHHS	H23CCH522556	10-01-18 to 09-30-19	-	1,500
Immunization-VFCA	93.268	MDHHS	H23CCH522556	10-01-19 to 09-30-20	-	1,400
					-	180,081

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# BAY COUNTY, MICHIGAN

## Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2019

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Grant Period	Total Subawards	Federal Expenditures
U.S. Department of Health and Human Services (concluded)						
Epidemiology and Laboratory Capacity for Infectious Diseases:						
Epidemiology and Laboratory Capacity	93.323	MDHHS	NU50CK000369	10-01-18 to 09-30-19	\$ -	\$ 14,058
Emergency Response Public Health Crisis:						
Local Health Opioid Response	93.354	MDHHS	NU90P21987	10-01-19 to 09-30-20	-	39,120
Child Support Enforcement:						
IV-D Performance Incentive - Friend of the Court	93.563	MDHHS	CSFOC17-09001	10-01-18 to 09-30-19	-	105,413
IV-D Performance Incentive - Friend of the Court	93.563	MDHHS	CSFOC17-09001	10-01-19 to 09-30-20	-	33,882
IV-D Cooperative Reimburse - Friend of the Court	93.563	MDHHS	CSFOC17-09001	10-01-18 to 09-30-19	-	810,028
IV-D Cooperative Reimburse - Friend of the Court	93.563	MDHHS	CSFOC17-09001	10-01-19 to 09-30-20	-	273,932
IV-D Cooperative Reimburse - Prosecuting Attorney	93.563	MDHHS	CSPA17-09002	10-01-18 to 09-30-19	-	72,956
IV-D Cooperative Reimburse - Prosecuting Attorney	93.563	MDHHS	CSPA17-09002	10-01-19 to 09-30-20	-	25,060
					-	1,321,271
Grants to States for Access and Visitation Programs:						
Federal Access and Visitation Grant	93.597	SCAO	SCAO-2019-009	10-01-18 to 09-30-19	-	1,250
Federal Access and Visitation Grant	93.597	SCAO	SCAO-2020-013	10-01-19 to 09-30-20	-	495
					-	1,745
Medicaid Cluster:						
CSHSC - Outreach & Advocacy	93.778	MDHHS	05U05M15ADM	10-01-18 to 09-30-19	-	15,660
CSHSC - Outreach & Advocacy	93.778	MDHHS	05U05M15ADM	10-01-19 to 09-30-20	-	5,164
CSHSC - Medicaid Outreach	93.778	MDHHS	05U05M15ADM	10-01-18 to 09-30-19	-	76,891
CSHSC - Medicaid Elevated Blood Level	93.778	MDHHS	05205M15MAP	10-01-18 to 09-30-19	-	2,016
CSHSC - Medicaid Elevated Blood Level	93.778	MDHHS	05205M15MAP	10-01-19 to 09-30-20	-	1,411
Medicaid Outreach	93.778	MDHHS	05U05M15ADM	10-01-18 to 09-30-19	-	16,713
Medicaid Outreach	93.778	MDHHS	05U05M15ADM	10-01-19 to 09-30-20	-	8,086
POS Waiver	93.778	Region VII	20161841	10-01-18 to 09-30-19	-	38,718
POS Waiver	93.778	Region VII	20161841	10-01-19 to 09-30-20	-	12,363
					-	177,022
Preventative Health and Health Services Block Grant to States:						
Family Planning	93.991	MDHHS	B1MIMCHS	10-01-18 to 09-30-19	-	10,000
Maternal and Child Health Services Block Grant to the States:						
MCH Childhood Lead Poisoning Education and Outreach	93.994	MDHHS	B1MIMCHS	10-01-18 to 09-30-19	-	7,501
MCH Childhood Lead Poisoning Education and Outreach	93.994	MDHHS	B1MIMCHS	10-01-19 to 09-30-20	-	4,998
Local MCH - Enabling Services Child	93.994	MDHHS	B1MIMCHS	10-01-19 to 09-30-20	-	3,477
MCH Public Health Function and Infrastructure	93.994	MDHHS	B1MIMCHS	10-01-18 to 09-30-19	-	13,200
MCH Public Health Function and Infrastructure	93.994	MDHHS	B1MIMCHS	10-01-19 to 09-30-20	-	3,300
Local MCH - Enabling Services Women	93.994	MDHHS	B1MIMCHS	10-01-18 to 09-30-19	-	34,734
Local MCH - Enabling Services Women	93.994	MDHHS	B1MIMCHS	10-01-19 to 09-30-20	-	9,198
Family Planning	93.994	MDHHS	B1MIMCHS	10-01-18 to 09-30-19	-	9,612
					-	86,020
Total U.S. Department of Health and Human Services					-	2,728,767
U.S. Department of Homeland Security						
Emergency Management Performance Grants:						
Emergency Management Assistance	97.042	MSP	EMC-2019-EP-00004	10-01-18 to 09-30-19	-	18,305
Emergency Management Assistance	97.042	MSP	N/A	10-01-19 to 09-30-20	-	6,218
					-	24,523
Homeland Security Grant Program:						
2015 SHSP	97.067	IOSCO	R3-2015-80-0084R	09-01-17 to 09-30-19	-	2,565
Total U.S. Department of Homeland Security					-	27,088
Total Expenditures of Federal Awards					\$ 155,889	\$ 3,934,591

concluded.

# BAY COUNTY, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Bay County, Michigan (the "County") under programs of the federal government for the year ended December 31, 2019. 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 Comprehensive Annual Financial Report. The County's financial statements include the operations of the Bay County Housing nonmajor enterprise fund and the Bay County Department of Water and Sewer and Bay County Road Commission discretely presented component units, which the Housing is the only entity that received federal awards that are not included in the Schedule for the year ended December 31, 2019, as these entities were separately audited.

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 when available.

### 2. 10% DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the County has elected not 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
EGLE	Michigan Department of the Environment, Great Lakes, and Energy
MSP	Michigan State Police
MDOT	Michigan Department of Transportation
SCAO	Michigan State Court Administrative Office
OHSP	Michigan Office of Highway Safety Planning
Region VII	Region VII Area Agency on Aging
SVSU	Saginaw Valley State University
IOSCO	Iosco County, Michigan

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Independent Auditors' Report on Internal Control over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards*

July 31, 2020

Board of Commissioners  
Bay City, 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 Bay County, Michigan (the "County"), as of and for the year ended December 31, 2019, 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, 2020. Our report includes a reference to other auditors who audited the financial statements of the Bay County Road Commission component unit, Bay County Department of Water and Sewer component unit, and the Bay County Housing nonmajor enterprise fund, 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, as item 2019-001 that we consider to be a material weakness.

#### 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*.

#### Bay County's Response to Finding

The County's response to the 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 the financial statements and, accordingly, we express no opinion on it.

#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Rehmann Lobson LLC*

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

July 31, 2020

Board of Commissioners  
Bay City, Michigan

**Report on Compliance for The Major Federal Program**

We have audited the compliance of Bay County, Michigan (the "County") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2019. The County's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. The County's basic financial statements include the operations of the Bay County Housing enterprise fund which received \$327,852 in federal awards, which are not included in the schedule of expenditures of federal awards for the year ended December 31, 2019. Our audit, described below, did not include the operations of the Bay County Housing enterprise fund, Bay County Road Commission component unit, or the Bay County Department of Water and Sewer component unit because they arranged for separate audits.

***Management's Responsibility***

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

***Independent Auditors' Responsibility***

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

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

#### *Opinion on The Major Federal Program*

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2019.

#### **Report on Internal Control Over Compliance**

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

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

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

#### *Purpose of this Report*

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

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

## BAY COUNTY, MICHIGAN

### Schedule of Findings and Questioned Costs For the Year Ended December 31, 2019

#### SECTION I - SUMMARY OF AUDITORS' RESULTS

##### Financial Statements

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

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	<u>      X      </u> yes	<u>          </u> no
Significant deficiency(ies) identified?	<u>          </u> yes	<u>      X      </u> none reported
Noncompliance material to financial statements noted?	<u>          </u> yes	<u>      X      </u> no

##### Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u>          </u> yes	<u>      X      </u> no
Significant deficiency(ies) identified?	<u>          </u> yes	<u>      X      </u> none reported

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

           yes       X       no

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

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

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

      \$       750,000

Auditee qualified as low-risk auditee?

      X       yes            no

# BAY COUNTY, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2019

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2019-001 - Material Audit Adjustments

**Criteria.** Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

**Condition.** During our audit, we identified a material adjustment related to unearned revenue. Unearned revenue was overstated by \$3,104,728. This overstatement of unearned revenue created an understatement of revenue for the Health Department related to preliminary 2017 and 2018 Medicaid cost reimbursement settlements, cash was received in 2019. The Health Department received final settlement reports for the 2017 and 2018 Medicaid cost reimbursements in 2020. We also noted other adjustments were made after inquiry by the auditor, such as adjustments to receivables and prepaids. In addition there were other adjustments made after the audit began, identified by both the auditors and the County. The County provided adjustments to adjust the County's general ledger to the appropriate balances.

**Cause.** For the Health Department this condition was the result of unclear and untimely communications with the State of Michigan regarding the timing of the revenue recognition. Other adjustments were the result of certain general ledger accounts not reconciled to their underlying detail.

**Effect.** As a result of this condition, the County's accounting records were initially misstated by amounts material to the financial statements.

**Recommendation.** We recommend that the County reconcile all balance sheet accounts and record any necessary adjusting entries prior to the start of the audit process.

**View of Responsible Officials.** Management agrees with the adjustments proposed by its auditors, and they have been posted in the County's records. The State of Michigan has modified the reimbursement process for Medicaid cost reimbursements and are now paid quarterly to Health Departments. A review of the balance sheet will be performed and reconciliations completed on all balance sheet accounts prior to the commencement of fieldwork.

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

None in the current year.

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## BAY COUNTY, MICHIGAN

### Summary Schedule of Prior Audit Findings For the Year Ended December 31, 2019

Nothing reported in the prior year.

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