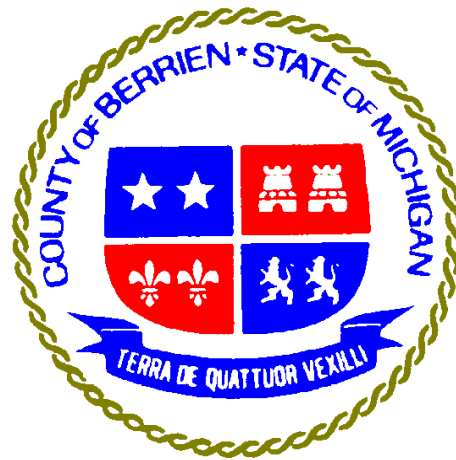


County of Berrien,
Michigan



Year Ended
December 31, 2015

Single Audit Act
Compliance

COUNTY OF BERRIEN, MICHIGAN

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

June 30, 2016

Board of Commissioners
County of Berrien, Michigan
St. Joseph, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *County of Berrien, Michigan* (the "County"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 30, 2016, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. In addition, the accompanying supplemental schedules of federal and state awards as required by the Michigan Department of Transportation are presented for the purpose of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards and the accompanying required supplemental schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rehmann Robson LLC

COUNTY OF BERRIEN, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Agriculture				
Child Nutrition Cluster:				
School Breakfast Program:				
2014/2015	10.553	MDE	n/a	\$ 17,065
2015/2016	10.553	MDE	n/a	4,438
National School Lunch Program:				
2014/2015	10.555	MDE	n/a	18,763
2015/2016	10.555	MDE	n/a	7,031
Snack Program:				
2014/2015	10.555	MDE	n/a	5,778
2015/2016	10.555	MDE	n/a	1,857
				<u>54,932</u>
Special Supplemental Food Program for Women, Infants and Children:				
2014/2015	10.557	MDHHS	IW100342	586,116
2015/2016	10.557	MDHHS	IW100342	159,077
WIC Breastfeeding:				
2014/2015	10.557	MDHHS	IW100342	25,084
2015/2016	10.557	MDHHS	IW100342	7,421
				<u>777,698</u>
State Administrative Matching Grants				
Supplemental Nutrition Assistance Program -				
2014/2015	10.561	MDHHS	n/a	<u>19,767</u>
Water and Waste Disposal Systems				
For Rural Communities:				
Loan Program	10.760	Direct	n/a	2,498,000
Grant Program	10.760	Direct	n/a	1,392,804
				<u>3,890,804</u>
Total U.S. Department of Agriculture				<u>4,743,201</u>
U.S. Department of Housing and Urban Development				
Community Development Block Grant:				
CDBG Homeowner Assistance Program				
2014/2015	14.228	MSHDA	MSC-2010-1091-HOA	130,412
ARRA - Neighborhood Stabilization:				
Program 2 Round 1 (NSP2)	14.228	MSHDA	NS2-2014-6053-NPI	161,000
Program 2 Round 2 (NSP2)	14.228	MSHDA	NS2-2015-6053-NPI	273,000
				<u>564,412</u>
MICH Nutrition Network-Advisory:				
Local Health Department SNAP-ED				
2014/2015	14.900	MSHDA	MILHB0461-09	<u>(17,646)</u>
Total U.S. Department of Housing and Urban Development				<u>546,766</u>

continued...

COUNTY OF BERRIEN, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Justice				
JAG Program:				
2014/2015	16.738	Direct	2014-DJ-BX-0821	\$ 173
2015/2016	16.738	Direct	2014-DJ-BX-0821	2,604
				<u>2,777</u>
JJMH Expanded Collaborative Strategic Plan:				
2014/2015	16.745	Direct	2014-MO-BX-0037	15,693
2015/2016	16.745	Direct	2014-MO-BX-0037	5,118
				<u>20,811</u>
Total U.S. Department of Justice				<u>23,588</u>
U.S. Department of Transportation				
Formula Grants for Rural Areas:				
Small Bus Program - Section 5311	20.509	MDOT	2012-0046	170,620
Capital Bus Program - Section 5311	20.509	MDOT	2012-0046/P2	40,877
Capital Bus Program - Section 5311	20.509	MDOT	2012-0046/P4	20,235
Capital Bus Program - Section 5311	20.509	MDOT	2012-0046/P6	74,397
				<u>306,129</u>
Alcohol Enforcement -				
2014/2015	20.601	MDOT	410	18,332
HMEP Planning Program	20.703	MSP	HM-HMP-0439-14-01-00	83
Total U.S. Department of Transportation				<u>324,544</u>
U.S. Environmental Protection Agency				
Great Lakes Program:				
State Drinking Water Revolving Loan Fund Program				
2014/2015	66.468	MDEQ	n/a	149
2015/2016	66.468	MDEQ	n/a	104
				<u>253</u>
Beach Monitoring & Notification Program				
Implementation Grant -				
2014/2015	66.472	MDEQ	n/a	16,153
Total U.S. Environmental Protection Agency				<u>16,406</u>
U.S. Department of Health and Human Services				
Bioterrorism:				
Emergency Preparedness:				
2014/2015- Oct 14 to June 15	93.069	MDHHS	U90TP00528	64,359
2015/2016- July 15 to Sept 15	93.069	MDHHS	U90TP00528	33,568
2015/2016- Oct 15 to June 16	93.069	MDHHS	U90TP00528	49,562
Ebola Virus Disease (EVD) Phase II				
2015/2016- July 15 to Sept 15	93.069	MDHHS	U90TP00528	1,500
2015/2016- Oct 15 to June 16	93.069	MDHHS	U90TP00528	1,520
				<u>150,509</u>

continued...

COUNTY OF BERRIEN, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (continued)				
Tuberculosis Control Program and Aids				
TB Control:				
2014/2015	93.116	MDHHS	U52 CCU500499	\$ 1
2014/2015	93.116	MDHHS	1U52PS004693	75
2015/2016	93.116	MDHHS	1U52PS004693	24
				<u>100</u>
Family Planning Services:				
2014/2015	93.217	MDHHS	GFPHPA050173 41	55,010
2015/2016	93.217	MDHHS	GFPHPA050173 41	18,546
				<u>73,556</u>
Immunization Grants:				
Infant Immunization Action Plan:				
2014/2015	93.268	MDHHS	H23 CCH522556	56,299
2015/2016	93.268	MDHHS	H23 CCH522556	17,986
Value of Federal Vaccines Received	93.268	MDHHS	n/a	182,142
Immunization Billing Practice Infrastructure:				
2014/2015	93.268	MDHHS	1H23IP000940-01	1,610
2015/2016	93.268	MDHHS	1H23IP000940-01	1,721
				<u>259,758</u>
Health Disparities Capacity Building Phase II -				
2014/2015	93.296	MDHHS	1STTMP131098	<u>5,223</u>
Support for Expectant & Parenting Teens -				
MI Adolescent Pregnancy & Parenting Program:				
2014/2015	93.500	MDHHS	SP1AH000029 01	106,073
2015/2016	93.500	MDHHS	SP1AH000029 01	40,600
				<u>146,673</u>
Affordable Care Act Maternal, Infant and Early				
Childhood Home Visiting Program -				
Nurse Family Partnership:				
2014/2015	93.505	MDHHS	D89MC23151	183,204
2015/2016	93.505	MDHHS	D89MC23151	61,063
				<u>244,267</u>
NACCHO Breastfeeding:				
2014/2015	93.524	MDHHS	n/a	13,599
2015/2016	93.524	MDHHS	n/a	4,601
				<u>18,200</u>
Infant Immunization Action Plan:				
2014/2015	93.539	MDHHS	H23 IP000752	6,413
2015/2016	93.539	MDHHS	H23 IP000752	2,067
				<u>8,480</u>
Title IV-D Child Support Enforcement:				
Incentive Payments:				
2014/2015	93.563	MDHHS	n/a	176,239
2015/2016	93.563	MDHHS	n/a	59,748
Friend of the Court:				
2014/2015	93.563	MDHHS	CS/FOC-13-11001	1,180,713
2015/2016	93.563	MDHHS	CS/FOC-13-11001	423,619
Prosecuting Attorney:				
2014/2015	93.563	MDHHS	CSPA-13-11002	191,460
2015/2016	93.563	MDHHS	CSPA-13-11002	69,591
				<u>2,101,370</u>

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COUNTY OF BERRIEN, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (continued)				
Positive Parenting Program:				
2014/2015	93.658	CTF	n/a	\$ 1,201
2015/2016	93.658	CTF	n/a	2,807
Prosecuting Attorney Title IV-E:				
2014/2015	93.658	MDHHS	PROFC-11-11001	67,350
2014/2015	93.658	MDHHS	PROFC-14-11001	18,749
				<u>90,107</u>
Medical Assistance Program:				
Children's Special Health Care Services:				
Medicaid Outreach -				
2014/2015	93.778	MDHHS	05U05M15ADM	19,028
Children's Special Health Care Services:				
2014/2015	93.778	MDHHS	05U05M15ADM	33,604
2015/2016	93.778	MDHHS	05U05M15ADM	18,593
Medicaid Outreach:				
2014/2015	93.778	MDHHS	05U05M15ADM	20,309
2015/2016	93.778	MDHHS	05U05M15ADM	6,483
Nurse Family Partnership Medicaid Outreach:				
2014/2015	93.778	MDHHS	05U05M15ADM	71,720
2015/2016	93.778	MDHHS	05U05M15ADM	22,234
Nurse Family Partnership:				
2014/2015	93.778	MDHHS	05U05M15ADM	90,946
2015/2016	93.778	MDHHS	05U05M15ADM	30,313
				<u>313,230</u>
HIV/AIDS Linkage to Care Project -				
2014/2015	93.917	MDHHS	1X08HA28012	44,745
Breast and Cervical Cancer				
	93.919	Direct	n/a	<u>2,050</u>
HIV Prevention Activities - Health Department Based -				
AIDS/HIV Prevention:				
2014/2015	93.940	MDHHS	U62 PS003671	724
2015/2016	93.940	MDHHS	U62 PS003671	250
				<u>974</u>
Preventive Health and Health Services Block Grant:				
Health Disparities Capacity Building Phase II -				
2014/2015	93.991	MDHHS	2B01OT009028	17,569
Building Healthy Communities -				
2014/2015	93.991	MDHHS	2B01OT009028	70,926
Sexually Transmitted Disease (STD):				
2014/2015	93.991	MDHHS	2B01OT009028	44,468
2015/2016	93.991	MDHHS	2B01OT009028	14,823
				<u>147,786</u>

continued...

COUNTY OF BERRIEN, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (concluded)				
Maternal and Child Health Services Block Grant:				
Fetal Infant Mortality Review - 2014/2015	93.994	MDHHS	B1MMCHS	\$ 2,160
MI Adolescent Pregnancy & Parenting Program - 2014/2015	93.994	MDHHS	B1MMCHS	25,281
Childhood Lead Poisoning Education and Outreach - 2014/2015	93.994	MDHHS	B1MMCHS	25,170
Family Planning Services: 2014/2015	93.994	MDHHS	B1MMCHS	169,709
2015/2016	93.994	MDHHS	B1MMCHS	53,978
				<u>276,298</u>
Block Grants for Prevention and Treatment of Substance Abuse -				
Drug Prevention: 2014/2015	93.959	LCC	n/a	139,152
2015/2016	93.959	LCC	n/a	70,575
				<u>209,727</u>
Total U.S. Department of Health and Human Services				<u>4,093,053</u>
U.S. Department of Homeland Security				
Emergency Management Performance Grant	97.042	MSP	EMW-2015-EP-00029-S01	<u>34,473</u>
Homeland Security Grant Program -				
Regional Homeland Security Grant:				
2013	97.067	VC	n/a	13,252
2014	97.067	VC	n/a	1,763
Regional Homeland Security Grant	97.067	VC	2010-SS-T0-0009	2,400
				<u>17,415</u>
Total U.S. Department of Homeland Security				<u>51,888</u>
Total Expenditures of Federal Awards				<u>\$ 9,799,446</u>

concluded.

See notes to schedule of expenditures of federal awards.

COUNTY OF BERRIEN, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the County of Berrien, Michigan (the "County") under programs of the federal government for the year ended December 31, 2015. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County.

The County's reporting entity is defined in Note 1 of the County's financial statements. The County's financial statements include the operations of the Berrien County Road Commission and the Berrien Mental Health Authority discretely presented component units, which each received federal awards that are not included in the schedule for the year ended December 31, 2015.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the County's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

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

3. LOAN PROGRAM FOR WATER AND WASTE DISPOSAL SYSTEMS (CFDA 10.760)

The County received a loan through the United States Department of Agriculture (USDA) for the construction of Water and Waste System Disposal Systems (CFDA Number 10.760). As of December 31, 2015, the outstanding balance of the loan was \$2,464,000.

COUNTY OF BERRIEN, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

4. PASS-THROUGH AGENCIES

The County receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
MDE	Michigan Department of Education
MDHHS	Michigan Department of Health and Human Services
MSHDA	Michigan State Housing Development Authority
MSP	Michigan State Police
MDOT	Michigan Department of Transportation
MDEQ	Michigan Department of Environmental Quality
LCC	Lakeshore Coordinating Council
VC	Van Buren County
CTF	Michigan Children's Trust Fund



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

June 30, 2016

Board of Commissioners
County of Berrien, Michigan
St. Joseph, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *County of Berrien, Michigan* (the "County"), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 30, 2016. Our report includes a reference to other auditors who audited the financial statements of the Berrien County Road Commission and the Berrien Mental Health Authority, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness and another deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Berrien County's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

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



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

June 30, 2016

Board of Commissioners
County of Berrien, Michigan
St. Joseph, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of the *County of Berrien, Michigan* (the "County") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2015. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. The County's basic financial statements include the operations of the Berrien County Road Commission and the Berrien Mental Health Authority. Our audit, described below, did not include the operations of the Berrien County Road Commission and the Berrien Mental Health Authority because they arranged for separate audits in accordance with the Uniform Guidance.

Management's Responsibility

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

Independent Auditors' Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2015-003 and 2015-004. Our opinion on each major federal program is not modified with respect to these matters.

The County's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-003 that we consider to be a significant deficiency.

The County's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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 "Lehmann Lohman LLC". The signature is written in a cursive, flowing style.

COUNTY OF BERRIEN, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2015

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? X yes none reported

Type of auditors' report issued on compliance for major programs: See opinion for each major program below

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516 (a)? X yes no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Opinion</u>
10.760	Water and Waste Disposal Systems for Rural Areas	Unmodified
20.509	Formula Grants for Rural Areas	Unmodified
93.563	Title IV-D Child Support Enforcement	Unmodified

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

Auditee qualified as low-risk auditee? yes X no

COUNTY OF BERRIEN, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

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

Finding Type. Material Weakness in Internal Controls over Financial Reporting

Criteria. The Uniform Guidance requires that the County "identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the federal agency, and name of the pass-through entity." In addition, the County is required to "prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with the Uniform Guidance."

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

Cause. As is the case with other large governments, the County administers a wide array of federal and state grants through its many departments. The function of grant administration is highly decentralized and the Finance department was not informed that the project in question was federally funded in a timely manner.

Effect. The County's SEFA preparation process did not detect significant variances in the originally reported federal expenditures, resulting in the amount of federal expenditures changing throughout the audit.

Recommendation. The County should evaluate its processes to ensure that all federal programs are appropriately included on the SEFA.

View of Responsible Officials. Berrien County acknowledges oversight of the federal program as noted above In its preparation of the SEFA. Revenue was marked as Federal funding however current review and preparation processes did not identify this item. Revision of current process to including items of this type will be incorporated into future reviews.

COUNTY OF BERRIEN, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2015

SECTION II - FINANCIAL STATEMENT FINDINGS

2015-002 - Significant Audit Adjustments

Finding Type. Significant Deficiency in Internal Controls over Financial Reporting

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

Condition. During our audit, we identified and proposed various adjustments (which were approved and posted by management) that were significant, either individually or in the aggregate to the County's financial statements.

Cause. Existing year-end closing procedures did not detect certain adjustments necessary to properly record year-end balances.

Effect. As a result, capital outlay and accounts payable in the nonmajor governmental funds were initially understated by \$197,790 related to construction in progress. In addition, liabilities and expenditures in the Oronoko Township Water System and Coloma City Water System funds were initially understated by \$116,504 and \$27,235, respectively, for project costs related to Water and Sewer Systems No. 30 and No. 31.

Recommendation. The necessary adjustments have been made in the accounting records and appropriately presented in the financial statements. Accordingly, no further corrective action is necessary.

View of Responsible Officials. The items noted in this finding were related to the annual cutoff of accounts payable. Berrien County strives to obtain and recognize invoices in the period to which the service or goods were received. Berrien County will review its process for the year end cutoff and make changes to address.

COUNTY OF BERRIEN, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2015

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

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

Finding Type. Immaterial Noncompliance; Significant Deficiency in Internal Controls over Compliance.

Federal Program. Formula Grants for Rural Areas; U.S. Department of Transportation; Passed through the Michigan Department of Transportation; CFDA Number 20.509; Award Number 2012-0046.

Criteria. Reports submitted should agree to the underlying general ledger detail and/or other supporting documentation.

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

Cause. The County does not currently perform a reconciliation of certain reports to the general ledger prior to requesting those funds for reimbursement.

Effect. Amounts reported by the County to grantor agencies may not have been accurate representation of actual costs incurred, and those costs may not have been incurred prior to the County requesting reimbursement.

Questioned Costs. None.

Recommendation. We recommend that the County prepare all financial reports based on information generated from the general ledger and maintain documentation of the supporting documentation used in preparing the reports. This documentation should be reviewed by an individual knowledgeable of grant requirements.

View of Responsible Officials. The County prepares quarterly submissions from general ledger reports reflecting transactional information for a specific quarter in combination with a report submitted by the Transit Authority. Transit Authority transactions are recorded the month after being incurred. Therefore, the submission of Transit Authority transactions for the last month of a quarter will be a part of the reimbursement request, however recorded in the following quarter in the general ledger. The County makes judgments on eligibility of expenditures noted above based on program requirements and therefore is "estimating" the applicable expenditures. Per an agreement between the State of Michigan Department of Transportation and Berrien County, Agreement 2012-0046, payments will be based on a percentage of estimated eligible costs. At the end of each federal fiscal year a reconciliation and audit occurs. If, as a result of this process, it is determined that ineligible costs were reimbursed or eligible costs were unreimbursed, MDOT will settle this discrepancy by either requesting repayment of ineligible reimbursed costs or forwarding payment on eligible unreimbursed costs. This is not different than the final settlement process that occurs with all federal funds.

However, in order to eliminate these timing issues, the County has developed a Financial Policy and Procedure with specific accrual entries each period. Additionally, this policy and procedure requires monthly review and reconciliation of financial information. Quarterly 5311 filings shall be supported by G/L detail and agreed to the ledger prior to submission of reimbursement requests.

COUNTY OF BERRIEN, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2015

SECTION III - FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS

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

Finding Type. Immaterial noncompliance

Federal Programs:

- Water and Waste Disposal Systems for Rural Areas; U.S. Department of Agriculture; CFDA 10.760.
- Child Support Enforcement; U.S. Department of Health and Human Services; CFDA Number 93.563; Project numbers CS/FOC-13-11001 and CSPA-13-11002.

Criteria. The Uniform Grant Guidance requires a non-federal entity that has expended federal awards for a grant awarded on or after December 26, 2014 to have written policies pertaining to: 1) Payments (draws of federal funds and how to minimize the time lapsing between the receipt of federal funds and the disbursement to contractors/employees/subrecipients) (§200.302(6)); 2) Procurement (including bidding and a conflict of interest policy) (§200.318); 3) Allowability of costs charged to federal programs (§200.302(7)); and 4) Compensation (personnel and benefits policy) (§200.430 and §200.431).

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

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

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

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

Recommendation. We are aware that the County is evaluating options using internal and external resources to take corrective action. We recommend that the County proceed with its selected option as soon as practical, but no later than the end of fiscal year 2016.

View of Responsible Officials. Berrien County is currently in the process of revising its purchasing procedure (item 2 in Criteria above) to include the specifics of 2 CFR 200. It will also work to formalize a written grant policy and procedure to incorporate the criteria noted above and revise current policies and procedures to include these items.



COUNTY OF BERRIEN, MICHIGAN

■ Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2015

2014-001 - Reporting - Quarterly Reports

The County was unable to provide a reconciliation of expenditures in the ledger to the amounts reported on the Quarterly Section 5311 reports. This finding was not adequately resolved. See finding 2015-003 in the current year Schedule of Findings and Questioned Costs.



COUNTY OF BERRIEN, MICHIGAN

Schedule of Expenditures of Federal and State Awards - Small Bus Program
 For the Year Ended December 31, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Pass-Through Entity	Pass-through Grantor Number	Expenditures
Federal				
U.S. Department of Transportation				
Small Bus Program - Section 5311	20.509	MDOT	2012-0046	\$ 170,620
State				
Michigan Department of Transportation				
State Formula Operating Assistance	-n/a-	-n/a-	-n/a-	<u>338,781</u>
Total Expenditures of Federal and State Awards - Small Bus Program				<u><u>\$ 509,401</u></u>

COUNTY OF BERRIEN, MICHIGAN

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

For the Year Ended December 31, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Pass-Through Entity	Pass-through Grantor Number	Expenditures
Federal				
U.S. Department of Transportation				
Capital Bus Program - Section 5311	20.509	MDOT	2012-0046	\$ 135,509
State				
Michigan Department of Transportation				
Bus Purchase - 20%	-n/a-	-n/a-	-n/a-	<u>33,877</u>
Total Expenditures of Federal and State Awards - Capital Bus Program				<u><u>\$ 169,386</u></u>