

**Mid-Michigan District Health Department**

**Single Audit Report**

**September 30, 2016**

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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**

**Independent Auditors' Report**

Management and the Board of Public Health  
Mid-Michigan District Health Department  
Stanton, 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 and the major fund of Mid-Michigan District Health Department as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Mid-Michigan District Health Department's basic financial statements, and have issued our report thereon dated March 17, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Mid-Michigan District Health Department'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 Mid-Michigan District Health Department's internal control. Accordingly, we do not express an opinion on the effectiveness of Mid-Michigan District Health Department'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 certain deficiencies in internal control that we consider to be to be material weaknesses and significant deficiencies.

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 2016-001 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 2016-002 to be a significant deficiency.

## Compliance and Other Matters

As part of obtaining reasonable assurance about whether Mid-Michigan District Health Department'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*.

## Mid-Michigan District Health Department's Response to Findings

Mid-Michigan District Health Department's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs and corrective action plan. Mid-Michigan District Health Department's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## Purpose of this Report

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

Yeo & Yeo, P.C.

Alma, Michigan  
March 17, 2017

## **Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

### **Independent Auditors' Report**

Management and the Board of Public Health  
Mid-Michigan District Health Department  
Stanton, Michigan

#### **Report on Compliance for Each Major Federal Program**

We have audited Mid-Michigan District Health Department's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Mid-Michigan District Health Department's major federal programs for the year ended September 30, 2016. Mid-Michigan District Health Department's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

#### ***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.

#### ***Auditors' Responsibility***

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

#### ***Opinion on Each Major Federal Program***

In our opinion, Mid-Michigan District Health Department 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 September 30, 2016.

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

Management of Mid-Michigan District Health Department 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 Mid-Michigan District Health Department'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 Mid-Michigan District Health Department's internal control over compliance.

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

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

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

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

We have audited the financial statements of the governmental activities and the major fund of Mid-Michigan District Health Department, as of and for the year ended September 30, 2016, and the related notes to the financial statements, which collectively comprise Mid-Michigan District Health Department's basic financial statements. We issued our report thereon dated March 17, 2017, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance

with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Yeo & Yeo, P.C.*

Alma, Michigan  
March 17, 2017

**Mid-Michigan District Health Department  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2016**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
<b>U.S. Department of Agriculture</b>			
Passed through Michigan Department of Community Health Special Nutrition Program for Women, Infants, and Children	10.557		
FY 15-16 Breastfeeding and Resident Services		IW100342	\$ 658,405
FY 15-16 Breastfeeding Services		W500342 & IW100342	<u>110,292</u>
 Total Special Nutrition Program for Women, Infants, and Children			 <u>768,697</u>
<b>U.S. Environmental Protection Agency</b>			
Passed through Michigan Department of Environmental Quality DWSRF Cluster			
State Drinking Water Revolving Loan Fund Program	66.468		
FY 15-16		FY 15-16	<u>61,310</u>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Michigan Department of Community Health Public Health Emergency Preparedness	93.069		
FY 15-16 Bioterrorism - Hosp Preparedness+		NU90TP000528	135,518
FY 15-16 Ebola Virus Disease (EVD) Phase II		NU90TP000528	<u>30,687</u>
 Total Public Health Emergency Preparedness			 <u>166,205</u>
 Project Grants and Cooperative Agreements for Tuberculosis Control Programs	 93.116		
Tuberculosis Control		FY 15-16	<u>100</u>
 Family Planning Services (Family Planning)	 93.217		
FY 15-16		GFPHPA050173 41	<u>121,641</u>
 Immunization Cooperative Agreements	 93.268		
FY 15-16 IAP		H23 CCH522556	28,793
FY 15-16 Immunization MCIR		1H23IP000854	5,000
FY 15-16 Immunization Fixed Fees		H23 CCH522556	15,600
FY 15-16 Vaccine Supply - non-cash		N/A	<u>213,641</u>
 Total Immunization Cooperative Agreements			 <u>263,034</u>

**Mid-Michigan District Health Department  
Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2016**

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantors Number</u>	<u>Expenditures</u>
<b>U.S. Department of Health and Human Services</b>			
Passed Through Michigan Department of Community Health Drug-Free Communities Support Program Grants Clinton Substance Abuse Prevention Coalition	93.276	1H79SP020468-01	\$ <u>64,695</u>
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds FY 15-16 IAP	93.539	H23 IP000752	<u>60,197</u>
Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance financed in part by Prevention and Public Health Funds (PPHF) FY 15-16 Immunization MCIR	93.733	1H23IP001030	<u>15,000</u>
Preventative Health and Health Services Block Grant funded solely with Prevention and Public Health Funds (PPHF) FY 15-16 Local Health Department Service Sharing Support	93.758	2B01OT009028	<u>19,595</u>
Medicaid Cluster			
Medical Assistance Program	93.778		
Care Coordination Services: Title V / XIX		05 UOSM15ADM	1,109
Case Management Services: Title V / XIX		05 UOSM15ADM	14,160
FY 15-16 CSHCS Outreach & Advocacy		05 UOSM15ADM	56,500
FY 15-16 CSHCS Medicaid Outreach		05 UO5M15ADM	37,086
FY 15-16 MAP - Medicaid Outreach		05 UO5M15ADM	<u>123,863</u>
Total Medicaid Assistance Program			<u>232,718</u>
Maternal and Child Health Services Block Grant to the States	93.994		
Care Coordination Services: Title V		B1MIMCHS	8,630
FY 15-16 Outreach & Advocacy		B1MIMCHS	2,500
FY 15-16 Family Planning - Women		B1MIMCHS	72,766
FY 15-16 Family Planning - Adolescents		B1MIMCHS	12,438
FY 15-16 Family Planning Services		B1MIMCHS	<u>31,189</u>
Total Maternal and Child Health Services Block Grant to the States			<u>127,523</u>
Total U.S. Department of Health and Human Services			<u>1,070,708</u>
Total Expenditures of Federal Awards			<u>\$ 1,900,715</u>

See Accompanying Notes to the Schedule of Expenditures of Federal Awards

**Mid-Michigan District Health Department**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**September 30, 2016**

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**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal grant activity of Mid-Michigan District Health Department (the “Department”) under programs of the federal government for the year ended September 30, 2016. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**Note 2 – Summary of Significant Accounting Policies**

**Expenditures**

Schedule expenditures are reported on the modified accrual basis of accounting. 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. Pass-through entity identifying numbers are presented where available.

**Indirect Cost Rate**

Mid-Michigan District Health Department has not elected to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 3 – Reconciliation to Financial Statements**

The following is a reconciliation between the financial statements and the Schedule of Expenditures of Federal Awards.

Federal/State Revenue per financial statements	\$ 2,682,063
Less: Difference between vaccines administered (revenue per financial statements) and vaccines received (expenditures per SEFA as instructed by grantor agency)	(16,783)
Less: State grants	<u>(764,565)</u>
Total expenditures of federal awards	<u>\$ 1,900,715</u>

**Note 4 – Subrecipients**

No amounts were provided to subrecipients.

**Mid-Michigan District Health Department**  
**Schedule of Findings and Questioned Costs**  
**September 30, 2016**

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

*Financial Statements*

Type of auditors' report issued on whether the financial statements were prepared in accordance with Generally Accepted Accounting Principles: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  yes  none reported

Noncompliance material to financial statements noted?  yes  no

*Federal Awards*

Internal control over major programs:

- Material weakness(es) identified?  yes  no
- Significant deficiency(ies) identified that are not considered to be material weaknesses?  yes  none reported

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

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

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
10.557	Special Nutrition Program for Women, Infants, and Children

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

Auditee qualified as low-risk auditee?  yes  no

**Mid-Michigan District Health Department**  
**Schedule of Findings and Questioned Costs**  
**September 30, 2016**

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**SECTION II - GOVERNMENT AUDITING STANDARDS FINDINGS**

**2016-001 Audit Entries and Prior Period Adjustments – Material Weakness**

**Specific requirement:** Management is responsible for reporting reliable financial data in accordance with Generally Accepted Accounting Principles.

**Condition:** Adjusting journal entries and prior period adjustments were required so the financial statements were not materially misstated. Material adjustments were required as follows:

The Department recorded unearned revenue of \$102,589, related to funding that is part of the dental clinic, as of September 30, 2015 that was in fact earned revenue with restrictions on how the funds could be spent. This amount should have been recorded as restricted fund balance.

The Department recorded a liability for compensated absences as of September 30, 2015 that was not in accordance with the policies that govern this liability. The compensated absences liability was overstated by \$292,316 at September 30, 2015.

The Department recorded \$72,300 of unearned revenue as of September 30, 2015 related to amounts recorded as receivable for services provided. This amount should have been recorded as a deferred inflow of resources in the fund statements, and revenue in the government-wide statements.

The Department omitted certain lease contracts from the long-term lease receivable as of September 30, 2015. An additional \$272,933 should have been recorded in the fund statements as a receivable and deferred inflow of resources. This amount should have been recorded as revenue in the government-wide statements.

In total, net position of the governmental activities was understated by \$740,138, and fund balance of the general operating fund was understated by \$102,589.

**Cause:** Material journal entries were not detected by the Department's internal controls over financial reporting.

**Effect:** Material adjustments were recorded in the financial statements. Departments at the Federal level of government have the ability to designate local units of government as high risk. If the Department was designated as being high risk, it likely would impact the amount of federal funding awarded.

**Recommendations:** We recommend the Department thoroughly review and reconcile all accounts on a regular basis.

**Views of responsible officials:** Management believes these were oversights and is in agreement with the proposed audit adjustments.

**Corrective action plan:** See the attached corrective action plan.

**Mid-Michigan District Health Department**  
**Schedule of Findings and Questioned Costs**  
**September 30, 2016**

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**2016-002 Federal Procedures – Significant Deficiency**

**Specific requirement:** Uniform Grant Guidance requires written procedures covering the following: financial management systems, cash management, payments, allowable costs, period of performance, federal timekeeping, matching or cost sharing, program income, procurement, equipment and real property, supplies, copyrights, subawards to debarred or suspended parties, monitoring and reporting program performance, financial reporting, retention and access requirements for records, and subrecipient monitoring.

**Condition:** The Department has not developed the required written procedures.

**Cause/Effect:** Management did not have the time available to implement the requirements of written federal procedures.

**Recommendations:** The Department should develop and implement the required federal written procedures.

**Views of responsible officials:** Management agrees that written federal procedures are required, however, management did not have the time necessary to develop thorough procedures.

**Corrective action plan:** See the attached corrective action plan.

**SECTION III - FEDERAL AWARD FINDINGS**

There were no findings or questioned costs for Federal Awards for the year ended September 30, 2016.

**Mid-Michigan District Health Department  
Summary Schedule of Prior Audit Findings  
September 30, 2016**

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**SECTION IV - PRIOR AUDIT FINDINGS**

There were no *Government Auditing Standards* findings for the year ended September 30, 2015.

There were no federal award findings for the year ended September 30, 2015.

**Mid-Michigan District Health Department  
Corrective Action Plan  
September 30, 2016**

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**MID-MICHIGAN DISTRICT HEALTH DEPARTMENT**  
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Health Officer

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Medical Director



**BOARD OF HEALTH**  
George Bailey  
Bruce DeLong  
Betty Kellenberger  
Tom Lindeman  
Sam Smith  
Dwight Washington, Ph.D.

**Mid-Michigan District Health Department  
Audit Corrective Action Plan for Fiscal Year 2015/2016**

**Finding 2016-001: Audit Entries and Prior Period Adjustments - Management is responsible for reporting reliable financial data in accordance with Generally Accepted Accounting Principles.**

There were four adjusting journal entries and prior period adjustments that were required during the auditing process. The Department acknowledges that these needed to be made and that management is responsible for reporting reliable data in accordance with Generally Accepted Accounting Principles. In reference to the recording unearned revenue in relation to the dental clinic and the unearned revenue in relation to billing for services provided, the amounts recorded were accurate but needed to be recorded as restricted fund balance and deferred inflow of resources and revenue in the government wide-statements respectively. These two items have been corrected.

In reference to the compensated absences, the total amount of the leaves had been recorded instead of only the amount that would be payable as of the end of the reporting period resulting in an overstatement of the liability. The corrected amount was calculated and recorded which has corrected this item.

In reference to the lease contract for the long-term lease receivable, the Department was advised that only the equipment receivable in the contract needed to be recorded as long-term receivable. A schedule for the lease has been calculated and recorded which has corrected this item.

As state above, these items have already been corrected and will not be an issue in subsequent years.

**Finding 2016-002: Federal Procedures - Uniform Grant Guidance requires written procedures covering the following: management systems, cash management, payments, allowable costs, period of performance, federal timekeeping, matching or cost sharing, program income, procurement, equipment and real property, supplies, copyrights, sub awards to debarred or suspended parties, monitoring and reporting program performance, financial reporting, retention and access requirements for records and sub recipient monitoring.**

The Department acknowledges that there are policies that are missing and will evaluate the applicability of the federal requirements. Policies and procedures will be drafted as necessary and presented to the board for approval.

Signature: \_\_\_\_\_

Date: March 17, 2017

Contact Information of Responsible Party  
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*Your Public Health Team,  
Connecting with our Communities to Achieve Healthier Outcomes.*