

**EATON COUNTY,  
MICHIGAN**

**SINGLE AUDIT**

**For the Year Ended September 30, 2007**



**REHMANN ROBSON**

*Certified Public Accountants*

**EATON COUNTY, MICHIGAN  
SINGLE AUDIT**

**Table of Contents**

**Year Ended September 30, 2007**

---

	<u>PAGE</u>
Schedule of Expenditures of Federal Awards .....	1-3
Notes to Schedule of Expenditures of Federal Awards .....	4
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 <i>Government Auditing Standards</i> .....	5-6
Independent Auditors' Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133 .....	7-9
Schedule of Findings and Questioned Costs .....	10-12

\* \* \* \* \*

**EATON COUNTY, MICHIGAN**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2007**

Federal/Pass-through Grantor Program Title	CFDA Number	Pass-through Grantor Number	Federal Expenditures
<b>U.S. Department of Agriculture</b>			
Passed-through Michigan Department of Education:			
Food -Entitlement and Bonus Commodities	10.550	23-000-8001	\$ 485
School Breakfast Program	10.553	23-000-8001	6,819
National School Lunch Program	10.555	23-000-8001	12,561
Special Snack Program	10.555	23-000-8001	2,029
Passed-through Michigan Department of Community Health:			
Women, Infants and Children	10.557		<u>369,529</u>
<b>Total U.S. Department of Agriculture</b>			<u>391,423</u>
<b>U.S. Department of Housing and Urban Development</b>			
Passed-through the Michigan State Housing Development Authority:			
Community Development Block Grant	14.228	MSC-2005-0778-HOA	233,776
Home Investment Partnership Program	14.239	M-2004-0778	<u>180,100</u>
<b>Total U.S. Department of Housing and Urban Development</b>			<u>413,876</u>
<b>U.S. Department of Justice</b>			
Direct Programs:			
State Criminal Alien Assistance Program	16.606	2007APBX0603	5,877
Bulletproof Vest Partnership Program	16.607	2006BOCX0613	7,227
Byrne Memorial - Justice Assistance Grant 05-09	16.738	2006DJBX0592	5,617
Passed through Michigan Department of Human Services:			
Juvenile Justice and Delinquency Prevention - Violence Against Women - S.T.O.P Grant	16.588	DVPT 06-13001-1	61,504
Passed through Michigan State Office of Drug Control Policy and City of Lansing:			
Byrne Formula Grants - Vertical Drug Prosecution	16.738	70901-7-07-B	<u>31,895</u>
<b>Total U.S. Department of Justice</b>			<u>112,120</u>

continued...

**EATON COUNTY, MICHIGAN**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2007**

Federal/Pass-through Grantor Program Title	CFDA Number	Pass-through Grantor Number	Federal Expenditures
<b>U.S. Environmental Protection Agency</b>			
Direct Program:			
Brownfield Assessment and Clean-up	66.818	BF96597001	117,295
Passed-through Michigan Department of Environmental Quality:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	n/a	\$ 264,307
Drinking Water State Revolving Funds - Arsenic Rule Implementation	66.468	n/a	150
Operator Certification	66.471	n/a	<u>12,250</u>
<b>Total U.S. Environmental Protection Agency</b>			<u>394,002</u>
<b>U.S. Department of Health and Human Services</b>			
Passed-through Michigan Department of Community Health:			
Family Planning Project	93.217		49,445
Immunization Grants:			
Immunization & Vaccine Program	93.268		65,375
Vaccines for Children - Training	93.268		5,800
Vaccines	93.268		514,092
Bioterrorism - Supplemental:			
Focus A	93.283		199,200
Pandemic Flu	93.283		81,304
Medical Assistance Program:			
Case Management	93.778		26,329
Children's Special Care Coordination	93.778		17,015
Medicaid Outreach	93.778		49,319
Breast & Cervical Cancer Control Program	93.919		35,344
Maternal & Child Health Services Block Grant:			
Local MCH	93.994		69,645
Case Management	93.994		20,517
Family Planning	93.994		2,435

continued...

**EATON COUNTY, MICHIGAN**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended September 30, 2007 (Concluded)**

<b>Federal/Pass-through Grantor Program Title</b>	<b>CFDA Number</b>	<b>Pass-through Grantor Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Health and Human Services (concluded)</b>			
Passed through Michigan Department of Human Services:			
Promoting Safe and Stable Families	93.556		\$ 34,828
Promoting Safe and Stable Families	93.556	SFSC 04-23002	23,276
Temporary Assistance for Needy Families:			
Healthy Families - 0 to 3 Prevention	93.558		134,931
ADC Maintenance Assistance	93.560	n/a	180,126
Child Support Enforcement:			
Friend of the Court	93.563	CS/FOC-07-23001	863,056
Prosecuting Attorney	93.563	CS/PA-07-23002	84,477
Passed through Michigan State Court Administrative Office:			
Access and Visitation Programs	93.597	n/a	4,491
Passed-through Mid-South Substance Abuse Commission:			
Outpatient / Intensive Outpatient	93.959		139,200
Women's Services	93.959		<u>21,000</u>
<b>Total U.S. Department of Health and Human Services</b>			<u>2,621,205</u>
<b>U.S. Department of Homeland Security</b>			
Passed-through Michigan State Police:			
Emergency Management Division:			
Emergency Management Preparedness Grant	97.042	n/a	31,108
Passed through City of Lansing:			
State Homeland Security Grant Programs	97.067	n/a	<u>193,479</u>
<b>Total U.S. Department of Homeland Security</b>			<u>224,587</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 4,157,213</u></u>

# EATON COUNTY, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

---

### 1. BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Eaton County, Michigan (the "County") and is presented on the accrual basis of accounting.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

### 2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting.

### 3. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the County provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
State Homeland Security Grant Programs	97.067	\$ 1,455

\* \* \* \* \*



**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***

February 4, 2008

To the Board of Commissioners  
of Eaton County  
Charlotte, 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 **EATON COUNTY, MICHIGAN**, as of and for the year ended September 30, 2007, and have issued our report thereon dated February 4, 2008. We did not audit the financial statements of the Eaton County Road Commission, which represents 39% of the assets and 53% of the revenues of the aggregate discretely presented component units of the County. Those financial statements were audited by other auditors whose report was furnished to us, and our opinions, insofar as they relate to the amounts included for the Eaton County Road Commission, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control over financial reporting. We consider the deficiency described in the accompanying schedule of finding and questioned costs as item 2007-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiency described above is not a material weakness.

### **Compliance and Other Matters**

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

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs and the management letter. We did not audit the County's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the audit committee, the governing board, management, others within the organization, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.







**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133**

February 4, 2008

To the Board of Commissioners  
of Eaton County  
Charlotte, Michigan

**Compliance**

We have audited the compliance of **EATON COUNTY, MICHIGAN** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2007. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs are the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2007.

## **Internal Control Over Compliance**

The management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

## **Schedule of Expenditures of Federal Awards**

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Eaton County as of and for the year ended September 30, 2007, and have issued our report thereon dated February 4, 2008. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

We did not audit the financial statements of the Eaton County Road Commission, which represents 39% of the assets and 53% of the revenues of the aggregate discretely presented component units of the County. Those financial statements were audited by other auditors whose report was furnished to us, and our opinion, insofar as it relates to the amounts included for the Eaton County Road Commission, is based solely on the report of the other auditors.

This report is intended solely for the information and use of the audit committee, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Lehmann Lobson". The signature is written in a cursive, flowing style.

**EATON COUNTY, MICHIGAN**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended September 30, 2007**

---

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

**Financial Statements**

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

Material weakness(es) identified?

\_\_\_\_\_ yes   X   no

Significant deficiency(ies) identified  
not considered to be material weaknesses?

  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  
not considered to be material weaknesses?

\_\_\_\_\_ yes   X   none reported

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

Unqualified

Any audit findings disclosed that are required  
to be reported in accordance with  
Circular A-133, Section 510(a)?

\_\_\_\_\_ yes   X   no

# EATON COUNTY, MICHIGAN

## Schedule of Findings and Questioned Costs (Continued)

For the Year Ended September 30, 2007

---

### SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
93.268	Immunization Grants
93.563	Child Support Enforcement

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

Auditee qualified as low-risk auditee?  X  yes   no

### SECTION II – FINANCIAL STATEMENT FINDINGS

#### Finding 2007-1 Audit Adjustments

**Criteria:** The County is responsible for the reconciliation of all general ledger accounts to their proper underlying balances for the purpose of creating a reasonably adjusted trial balance, from which the basic financial statements are derived.

**Condition:** Audit procedures detected that the receivable and related revenue for current property taxes in the general fund were materially misstated and required correction.

**Cause:** County internal controls did not detect all adjustments necessary to properly record year-end balances. A contributing factor to this was the fact the County was required to recognize its property taxes differently than in prior years under the provisions of P.A. 206 of 1893, which established the County's revenue sharing reserve fund and incorporated the three-year phase in of the change in the County's property tax collection date.

**Effect:** A significant audit adjustment was necessary in order to properly recognize property tax revenue.

# EATON COUNTY, MICHIGAN

## Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended September 30, 2007

---

**View of  
Responsible**

**Officials:** The County Treasurer will be working with the Controller's office to review current practices for reconciling property tax collections. The County's goal is to develop procedures in accordance with governmental GAAP and have these procedures in place for the accounting of the 2008 property taxes to ensure that any changes made by the State will be detected through these controls.

### **SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

No matters were reported.

### **SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS**

No matters were reported.

\* \* \* \* \*



**REHMANN ROBSON**

*Certified Public Accountants*

A member of **THE REHMANN GROUP**



February 4, 2008

To the Board of Commissioners of the  
Eaton County  
Charlotte, Michigan

We have audited the basic financial statements of **Eaton County** as of and for the year ended September 30, 2007, and have issued our report thereon dated February 4, 2008. We did not audit the financial statements of the Eaton County Road Commission, a discretely presented component unit. Those financial statements were audited by other auditors whose report was furnished to us.

**Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133**

As stated in our engagement letter dated August 24, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered Eaton County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether Eaton County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about Eaton County's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on Eaton County's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on Eaton County's compliance with those requirements.

### **Significant Accounting Policies**

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by Eaton County are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by Eaton County during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### **Accounting Estimates**

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the original cost and accumulated depreciation of its infrastructure capital assets is based on current replacement costs, and an assumed rate of inflation from the dates of original acquisition/construction. We evaluated the key factors assumptions used to develop the original cost and accumulated depreciation of the City's infrastructure capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the collectability of accounts receivable from third party payers for healthcare services rendered by the medical care facility and district health department. We evaluated the key factors and assumptions used to develop the allowances for uncollectable accounts in determining that they are reasonable in relation to the basic financial statements taken as a whole.
- Management's estimate of the useful lives of depreciable fixed assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the liability for uninsured risks of loss, including incurred but not reported claims, which are accounted for in certain of the County's internal service funds and for which the County utilizes the services of an independent third-party risk management consultant to estimate the liability. We relied upon the work of the third-party expert in determining that the liability is reasonable in relation to the financial statements taken as a whole.

### **Audit Adjustments**

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on Eaton County's financial reporting process (that is, cause future financial statements to be materially misstated). The audit procedures detected a significant adjustment that was necessary to properly reflect the property tax receivable and related revenue. This adjustment was recorded by the County.



**Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

**Consultations with Other Independent Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

**Issues Discussed Prior to Retention of Independent Auditors**

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as Eaton County's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

**Difficulties Encountered in Performing the Audit**

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the Board of Commissioners, management, and federal awarding agencies and pass-through entities and are not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Johnson". The signature is written in a cursive, flowing style.

# Eaton County

## Comments and Recommendations

For the Year Ended September 30, 2007

---

In planning and performing our audit of the financial statements of Eaton County as of and for the year ended September 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion 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 first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. The deficiencies we noted that we consider to be significant deficiencies are described in the Schedule of Findings and Questioned Costs in the County's Single Audit report.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

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

### **Other Matters**

#### **County – Approval of travel expenditure reimbursement requests**

**Criteria:** Proper approval of travel expenditures is a fundamental element of internal control.

**Condition:** During our testing, we noted 3 out of 10 travel expenditure reimbursement requests tested did not have approval of an authorized official in the Controllers office. The requests were made by department heads and were supported by receipts but were not properly approved.

**Cause:** The County has a policy regarding the approval of all travel expenditures. This appeared to be an oversight by the Controllers office.

# Eaton County

## Comments and Recommendations

For the Year Ended September 30, 2007

---

**Effect:** Improper travel expenditures cannot be detected if there is not an independent review and approval of the reimbursement request and supporting documentation.

**Recommendation:**

It is recommended the County implement a procedure to ensure all travel expenditures are properly approved before the reimbursement is processed.

**Health Department – Allowance for Uncollectible Accounts**

**Criteria:** When using a subsidiary ledger to account for a receivable, a government should reconcile the subsidiary ledger to the general ledger periodically and record an allowance for uncollectible.

**Condition:** The subsidiary ledger for the Health Department - PHMIS accounts receivable has numerous accounts on the aging report with balances 120 days or older. Many of those balances are credit balances.

**Cause:** This condition is caused by adjustments made to the account in the billing system but not communicated to the Health Department accountant for proper posting to the accounting system. In addition, there has not been a recent full review of the aging receivables to determine an appropriate amount to record as an allowance.

**Effect:** As a result of this condition, they may be understating the PHMIS accounts receivable balance.

**Recommendation:**

The Health Department should implement an internal control procedure to ensure any billing adjustments are communicated to the Health Department accountant on a timely basis. The Health Department should review the aging report and determine the correct balance for the individual accounts and adjust accordingly. A monthly reconciliation of the account balance is needed to properly report the accounts receivable balance.

\* \* \* \* \*