

OGEMAW COUNTY BOARD OF COMMISSIONERS
RESOLUTION TO APPROVE A FEDERAL FINANCIAL INTERNAL
CONTROLS AND PROCEDURES POLICY
RESOLUTION NUMBER 25-141
ADOPTED DECEMBER 11, 2025

WHEREAS Ogemaw County receives federal funds; and

WHEREAS as a precondition to receive federal funds, prospective recipients must have effective administrative and financial internal controls; and

WHEREAS as described in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, OMB uniform Guidance and the Compliance Supplement, organizations must have written procedures for certain components of grant administration; and

WHEREAS a policy has been drafted that itemizes Ogemaw County's procedures for those components; and

WHEREAS this policy has been reviewed and approved by the County Auditors; and

WHEREAS the Board of Commissioners desires to comply with federal regulations concerning the receipt of federal funds.

THEREFORE, BE IT RESOLVED that the Ogemaw County Board of Commissioners hereby adopts the attached Federal Financial Internal Controls and Procedures Policy.

Motion by Scott, seconded by Surbrook, to approve the foregoing resolution.

Ayes: Mayhew, Wiltse, Surbrook, Scott, and David
Nays: None

Approved: December 11, 2025
Resolution No. 25-141

FEDERAL FINANCIAL INTERNAL CONTROLS AND PROCEDURES

As a precondition to receive federal funds, entities must have effective administrative and financial internal controls. As described in Title 2 U.S. Code of Federal Regulations (CFR0 Part 200, OMB Uniform Guidance and the compliance Supplement, Organizations must have written procedures for certain components of grant administration. This document itemizes the County's procedures for those components.

Organization elements:

The characteristics on internal control are presented in the context of the components of internal control discussed in *Internal Control-Integrated Framework* (COSO Report), published by the Committee of Sponsoring Organizations of the Treadway Commission. The COSO Report provides a framework for organizations to design, implement, and evaluate control that will facilitate compliance with the requirements of Federal laws, regulations, and program compliance requirements. COSO also has published [Guidance on Monitoring Internal Control Systems](http://www.coso.org/GuidanceonMonitoring.htm) (January 2009), which is available at www.coso.org/GuidanceonMonitoring.htm. Statement on Auditing Standards No. 109 (SAS109), *Understanding the Entity and its Environment and Assessing the Risks of Material Misstatement*, issued by the Auditing Standards Board of American Institute of Certified Public Accountants (AICPA) and a related AICPA audit guide, *Audit Guide, Assessing and Responding to Audit Risk in a Financial Statement Audit*, incorporate the component of internal control presented in the COSO Report.

Characteristics of internal control relating the each of the five components of internal control that should reasonably assure compliance with the requirements of Federal laws, regulation, and program compliance requirements. A description of the components of internal control and examples of characteristics common to the 12 types of compliance requirements are listed below. Objectives of the 12 types of compliance requirements follow this introduction.

Control Environment sets the tone of the county influencing the control consciousness of its employees. It is the foundation for all other components of internal control, providing discipline and structure.

- 1) Ogemaw County will conduct operations ethically, as outlined in Code of Conduct, Financial Policy No. 312 – Fraud Policy, and the Personnel Manual.

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- 2) The Ogemaw County Board is responsible for engaging an auditor, receiving all reports and communications from the auditor. The Ogemaw County Administrator shall be responsible for working with the various elected officials and department heads to ensure that audit findings and recommendations have been addressed. The administrator will provide the Board with a report that responds to each finding or recommendation outlining what changes have been made to correct the issue or an explanation of why a finding or recommendation should not be implemented.
- 3) The county administrator working with the various elected officials and department heads will provide grant managers with adequate training to ensure that program compliance requirements are understood and adhered to.
- 4) Grant managers are required to report all instances of noncompliance to the county administrator.

Risk Assessment is the entity's identification and analysis of risks relevant to the achievement of its objectives, forming a basis for determining how the risks should be managed.

- Appointed and elected officials and staff understand and have identified key compliance objectives.

- Organizational structure provides identification of risks of noncompliance:

Key managers have been given responsibility to identify and communicate changes. Employees who require close supervision (e.g., inexperienced) are identified.

Management has identified and assessed complex operations, programs, or projects. Management is aware of results of monitoring, audits, and reviews and considers related risks of noncompliance.

- Process established to implement changes in program objectives and procedures.

Control activities are addressed in each compliance element area.

Information and Communication are the identification, capture, and exchange of information in a form and time frame that enable people to carry out their responsibilities.

- The accounting system provides for separate identification of Federal and non-Federal transactions and allocation of transactions applicable to both.

- Adequate source documentation exists to support amounts and items reported.

- A recordkeeping system is established to ensure that accounting records and documentation are retained for the time period required by applicable requirements, and the provisions of laws, regulations, contracts or grant agreements applicable to the program.

- Reports provided timely to managers for review and appropriate action.

- Accurate information is accessible to those who need it.

- Reconciliations and reviews ensure accuracy of reports.

- Established internal and external communication channels. Staff meetings, Bulletin boards, Memos, circulation files, e-mail.

- Employees' duties and control responsibilities effectively communicated.

- Channels of communication for people to report suspected improprieties have been established.

- Actions taken as a result of communications received.

- Established channels of communication between the pass-through entity and subrecipients.

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Monitoring is a process that assesses the quality of internal control performance over time.

- Ongoing monitoring built-in through independent reconciliations, staff meeting feedback, supervisory review, and management review of reports.
- Periodic site visits performed at decentralized locations (including subrecipients if applicable) and checks performed to determine whether procedures are being followed as intended.
- Follow up on irregularities and deficiencies to determine the cause.
- Internal reviews are performed.
- Management meets with program monitors, auditors, and reviewers to evaluate the condition of the program and controls.
- The Board reviews the results of all monitoring or audit reports and periodically assesses the adequacy of corrective action if needed.

ACTIVITIES ALLOWED OR UNALLOWED And ALLOWABLE COSTS/COST PRINCIPLES

Control Objectives

To provide reasonable assurance that Federal awards are expended only for allowable activities and that the costs of goods and services charged to Federal awards are allowable and in accordance with the applicable cost principles.

Control Activities

- Accountability provided for charges and costs between Federal and non-Federal activities.
 - o The grant manager reviews general ledger allocations for all grant expenditures.
- Process in place for timely updating of procedures for changes in activities allowed and cost principles.
 - o The policies of the County are reviewed, at minimum, on an annual basis.
- Computations checked for accuracy.
 - o The grant manager reviews general ledger allocations for all grant expenditures.
- Supporting documentation compared to list of allowable and unallowable expenditures.
 - o The grant manager reviews all invoices for grant expenditures to ensure compliance.
- Adjustments to unallowable costs were made where appropriate and follow-up action taken to determine the cause.
 - o The grant manager reviews all invoices for grant expenditures to ensure compliance.
- Adequate segregation of duties in review and authorization of costs.
 - o See documented accounts payable workflow of the County.
- Accountability for authorization is fixed in an individual who is knowledgeable of the requirements for determining activities allowed and allowable costs.
 - o The grant manager is responsible for reviewing all activities to ensure allowability.

Control Objectives

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To provide reasonable assurance that the (1) drawdown of Federal cash is only for immediate needs and (2) reimbursement is requested only after costs have been incurred.

Control Activities

- Cash flow analyses are prepared to determine essential cash flow needs.
 - o The grant manager is responsible for reviewing financial reports to ensure appropriate cash flow.
- BS&A is capable of scheduling payments for accounts payable and requests for funds to avoid time lapses between drawing down of funds and actual disbursements of funds.
 - o The County Administrator, working with the grant manager, will ensure that funding requests are made in compliance with the grant.
- Appropriate level of supervisory review of cash management activities.
 - o See documented financial workflows of the County.
- Ogemaw County does not request cash advances and seeks reimbursement of eligible expenses
- See documented financial workflows of the County.

Monitoring of cash management activities; and

The grant manager is responsible for reviewing financial reports to ensure appropriate cashflow.

Repayment of excess interest earnings where required.

- The grant manager is responsible for reviewing such activity and creating a purchase order when repayment is required.

PERIOD OF AVAILABILITY OF FEDERAL FUNDS

Control Objectives

To provide reasonable assurance that Federal funds are used only during the authorized period of availability.

Control Activities

- An accounting system prevents obligation or expenditure of Federal funds outside of the period of availability.
 - o The County Administrator, working with the grant manager, will ensure that funding requests are made in compliance with the grant.
- Review of disbursements by person knowledgeable of period of availability of funds.
 - o See documented financial workflows of the County.
- End of grant period cut-offs are met by such mechanisms as advising Appointed and elected officials of impending cut-off dates and review of expenditures just before and after cut-off date.
- Cancellation of unliquidated commitments at the end of the period of availability.
 - o The grant manager is responsible for reviewing such activity and ensuring cancellation by working with the County Administrator.

ELIGIBILITY

Control Objectives

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To provide reasonable assurance that only eligible individuals and organizations receive assistance under Federal award programs, that subawards are made only to eligible subrecipients, and that amounts provided to or on behalf of eligible individuals or groups of individuals were calculated in accordance with program requirements.

Control Activities

- Procedures to calculate eligibility amounts consistent with program requirements.
- Eligibility objectives and procedures clearly communicated to employees.
 - o The grant manager is responsible for ensuring all who work within the grant understand any relevant eligibility requirements. This should be done in formal training as provided by the grantor.
- Authorized signatures (manual or electronic) on eligibility documents periodically reviewed.
 - o The grant manager is responsible for approving all eligibility documentation. If the grant manager is the preparer, these should be reviewed by the County Administrator or designee.
- Adequate safeguards in place to ensure access to eligibility records (manual or electronic) limited to appropriate persons.
 - o The State's document retention policy will be followed.
- Manual criteria checklists or automated processes used in making eligibility determinations.
 - o The grant manager is responsible for understanding eligibility requirements.
- Process for periodic eligibility re-determination in accordance with program requirements.
- Verification of accuracy of information used in eligibility determinations.
 - o The grant manager is responsible for approving all eligibility documentation.
- Procedures to ensure the accuracy and completeness of data are used to determine eligibility requirements.
 - o The grant manager is responsible for approving all eligibility documentation. If the grant manager is the preparer, these should be reviewed by the County Administrator or designee.
- Process in place to ensure benefits were discontinued when eligibility requirements are no longer met, or period of eligibility expired.

EQUIPMENT AND REAL PROPERTY MANAGEMENT

Control Objectives

To provide reasonable assurance that proper records are maintained for equipment acquired with Federal awards, equipment is adequately safeguarded and maintained, disposition or encumbrance of any equipment or real property is in accordance with Federal requirements, and the Federal awarding agency is appropriately compensated for its share of any property sold or converted to non-Federal use.

Control Activities

- Accurate records are maintained for all acquisitions and dispositions of property acquired with Federal awards.
 - o See documented financial workflows of the County.

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- Property tags are placed on equipment.
 - o The grant manager will ensure that all items purchased with grant funds are tagged.
- A physical inventory of equipment is periodically taken and compared to property records.
 - o See documented financial workflows of the County.
- Property records contain description (including serial number or other identification number), source, who holds title, acquisition date and cost, percentage of Federal participation in the cost, location, condition, and disposition data.
- Procedures established to ensure that the Federal awarding agency is appropriately reimbursed for dispositions of property acquired with Federal awards.
 - o An annual inventory is taken. Any disposals of grant purchased items will be reviewed by the grant manager. The grant manager will create a purchase order for repayment, where applicable.
- Policies and procedures in place for responsibilities of recordkeeping and authorities for disposition.
 - o See the County's Capital Asset policy.

MATCHING, LEVEL OF EFFORT, EARMARKING

Control Objectives

To provide reasonable assurance that matching, level of effort or earmarking requirements are met using only allowable funds or costs which are properly calculated and valued.

Control Activities

- Evidence obtained such as a certification from the donor, or other procedures performed to identify whether matching contributions:

Are from non-Federal sources.

Involve Federal funding, directly or indirectly; and were used for another federally assisted program.

Note: Generally, matching contributions must be from a non-Federal source and may not involve Federal funding or be used for another federally assisted program.

- Adequate review of participation reports and adjusting entries.

The grant manager will review financial reports of grant activity to ensure all matching funds are accounted for correctly.

PROCUREMENT AND SUSPENSION AND DEBARMENT

Control Objectives

To provide reasonable assurance that procurement of goods and services are made in compliance with the provisions of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, and that covered transactions (as defined in the suspension and debarment common rule) are not made with a debarred or suspended party.

Control Activities

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- Job descriptions or other means of defining tasks that comprise particular procurement jobs.
- The contractor's performance with the terms, conditions, and specifications of the contract is monitored and documented.
 - o See the County's purchasing and procurement policy.
- Establish segregation of duties between employees responsible for contracting and accounts payable and cash disbursing.
 - o See documented financial workflows of the County.
- Procurement actions appropriately documented in the procurement files.
 - o All procurement is subject to the board-approved purchasing guidelines. The County has currently authorized a more conservative policy than that outlined in Title 2 CFR 200.317-326 (Procurement Requirements pertaining to Uniform Guidance).
 - o See the County's purchasing and procurement policy.
- Management reviews procurement and contracting decisions for compliance with Federal procurement policies.
 - o See the County's purchasing and procurement policy.
- Procedures established to verify that vendors providing goods and services under the award have not been suspended or debarred by the Federal Government.
 - o See the County's purchasing and procurement policy.
- Official written policy for procurement and contracts establishing: Contract files that document significant procurement history.

Methods of procurement authorized include selection of contract type, contractor selection or rejection, and the basis of contract price.

Verification that procurements provide full and open competition; Requirements for cost or price analysis, including for contract modifications.

Obtaining and reacting to suspension and debarment certifications.

- o See the County's purchasing and procurement policy.

Federal requirements.

Prohibits the award of a subaward, covered contract, or any other covered agreement for program administration, goods, services, or any other program purpose with any suspended or debarred party; and

Requires staff to determine that entities receiving subawards of any value and procurement contracts equal to or exceeding \$25,000 and their principals are not suspended or debarred and specify the means that will be used to make that determination, i.e., checking the Federal system management website; obtaining a certificate; or inserting a clause in the agreement.

- o See the County's purchasing and procurement policy.

PROGRAM INCOME

Control Objectives

To provide reasonable assurance that program income is correctly earned, recorded, and used in accordance with the program requirements.

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Control Activities

- Pricing and collection policies procedures clearly communicated to personnel responsible for program income.
 - o The grant manager is responsible for ensuring all who work within the grant understand any relevant program income requirements. This should be done in formal training.
- Mechanism in place to ensure that program income is properly recorded as earned and deposited in the bank as collected. Policies and procedures provide for correct use of program income in accordance with Federal program requirements.
 - o The grant manager will review financial reports of grant activity to ensure all program income funds are accounted for correctly.

REPORTING

Control Objectives

To provide reasonable assurance that reports of Federal awards submitted to the Federal awarding agency or pass-through entity include all activity of the reporting period, are supported by underlying accounting or performance records, and are fairly presented in accordance with program requirements.

Control Activities

This section incorporates reporting control activities for financial, performance and special reporting, as applicable.

- The general ledger or other reliable records are the basis for the financial reports.
 - o The grant manager will review financial reports of grant activity to ensure all financial activity within BS&A appears correct and reasonable.

- The required accounting method is used (e.g., cash or accrual).
 - o The County utilizes the accrual basis of accounting.

SUBRECIPIENT MONITORING

Control Objectives

To provide reasonable assurance that Federal award information and compliance requirements are identified to subrecipients, subrecipient activities are monitored, subrecipient audit findings are resolved, and the impact of any subrecipient non-compliance on the pass-through entity is evaluated. Also, the pass-through entity should perform procedures to provide reasonable assurance that the subrecipient obtained required audits and takes appropriate corrective action on audit findings.

Control Activities

- Identify to subrecipients the Federal award information (e.g., ALN title and number, award name, name of Federal agency, amount of award) and applicable compliance requirements.

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o The grant manager will communicate all required information with subrecipients in the grant agreements.

- Include in agreements with subrecipients the requirement to abide by the compliance requirements applicable to the Federal program, including the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200.

o The grant manager will communicate all required information with subrecipients in the grant agreements.

Subrecipients' compliance with audit requirements monitored using techniques such as the following:

Determining by inquiry and discussions whether subrecipient met thresholds requiring an audit under Title 2 U.S. Code of Federal Regulations (CFR) Part 200

If an audit is required, assuring that the subrecipient submits the report, report package or the documents required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200 and/or recipient's requirements; and

If a subrecipient was required to obtain an audit in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200 but did not do so, following up with the subrecipient until the audit is completed. Taking appropriate actions such as withholding further funding until the subrecipient meets the audit requirements.

o The grant manager will communicate all required information with subrecipients in the grant agreements.

- Subrecipient's compliance with Federal program requirements monitored using such techniques as the following:

1. Issuing timely management decisions for audit and monitoring findings to inform the subrecipient whether the corrective action planned is acceptable.
2. Maintaining a system to track and follow up on reported deficiencies related to programs funded by the recipient and ensure that timely corrective action is taken, Regular contacts with subrecipients and appropriate inquiries concerning the Federal program.
3. Reviewing subrecipient reports and following up on areas of concern.
4. Monitoring subrecipient budgets.
5. Performing site visits to subrecipients to review financial and programmatic records and observe operations.
6. Offering subrecipients technical assistance where needed.

- Official written policies and procedures exist establishing: Communication of Federal award requirements to subrecipients; Responsibilities for monitoring subrecipients.

1. Process and procedures for monitoring.
2. Methodology for resolving findings of subrecipient noncompliance or weaknesses in internal control.
3. Requirements for and processing of subrecipient audits, including appropriate adjustment of pass-through entity's accounts.

o The grant manager will communicate all required information with subrecipients in the grant agreement.

FINANCIAL MANAGEMENT SYSTEMS

The financial management system of the County must meet the following standards:

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1. Financial reporting. Accurate, current, and complete disclosure of the financial results of financially assisted activities must be done in accordance with the reporting requirements of the grant.

a. See the REPORTING section of this document.

2. Accounting records. Records adequately identify the source and application of funds provided for financially assisted activities.

a. Accounting is done by analyzing, recording, summarizing and interpreting financial transactions for the County. BS&A is adequate to provide financial and related operational information for all interested parties: the County board; the administration; the public; auditors; local, state and federal authorities; and County employees. It is also designed to demand accuracy and a reasonable degree of internal control.

b. The County currently uses BS&A financial software for financial management of the County. The software provides applications that allow for the completion of the accounting and payroll processes necessary to remain compliant with applicable State and Federal laws.

3. Internal control. Effective control and accountability must be maintained for all grant cash, real and personal property, and other assets. The County must adequately safeguard all such property and must ensure that it is used solely for authorized purposes.

a. The County's internal controls over significant transaction streams are documented separately.

4. Budget control. Actual expenditures or outlays must be compared with budgeted amounts for each grant.

a. The County's procedures for developing, approving and amending the budget are documented separately and budgets are reviewed on a periodic basis, as required by statute.

SUPPLIES

Materials and supplies are defined as tangible personal property other than equipment, costing less than \$10,000 (based on the County's capitalization policy), or other lower threshold consistent with grantee policy (Uniform Guidance recommends \$10,000 based on procurement levels noted above). Materials and supplies that are necessary to carry out the project are allowable as prescribed in the governing cost principles. Title to supplies acquired under a grant or subgrant will vest, upon acquisition, with the grantee or subgrantee. If there is a residual inventory of unused supplies exceeding \$10,000 in total aggregate fair market value upon termination or completion of the award (Uniform Guidance recommends \$10,000 based on procurement levels noted above), and if the supplies are not needed for any other federal sponsored program or project, the grantee or subgrantee shall compensate the awarding agency for its' share.

FEDERAL TIMEKEEPING

The County performs the following to meet federal timekeeping requirements:

- A payroll time sheet is completed each payroll period by any employee whose wage is being funded by a federal grant source. This time sheet is reviewed by the department head.
- Any employee whose time is funded 100% by a federal source completes a Time Certification Form twice a year which is reviewed and approved by the grant manager.

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PAYROLL

Compensation for personnel services includes all remuneration, paid currently, for services rendered during the period of performance under Federal awards, including but not necessarily limited to wages, salaries, and fringe benefits. The costs of such compensation are allowable to the extent that they satisfy the specific requirements of this and other appendices under 2 CFR Part 225.

- o The individual's total wage or salary is reasonable for the service rendered, i.e., it was consistent with wages or salaries paid for similar work in other activities of the County.
- o The individual's employment conformed to local employment laws and regulations meeting federal merit system or other requirements, where applicable.
- o The payroll charge is supported by documentation prescribed in Title 2 U.S. Code of Federal Regulations (CFR) Part 200.
- o The payroll charge is supported by personnel activity reports, e.g., time and attendance records.
- o Charges for leave, employee insurance, pension plans, etc., are reasonable and required by law, employee agreements, or an established policy of the County and are distributed equitably to federal programs and other activities.
- o Charges for authorized absences such as annual leave, sick leave, holidays, court leave, military leave and other similar benefits are allowable and are allocated equitably to all federal programs and other activities.

RETENTION AND ACCESS REQUIREMENTS FOR RECORDS

All Michigan Freedom of Information Act requests are acted upon as soon as possible and within the timelines as stipulated within the Act.

TRAINING FOR FEDERAL FINANCIAL INTERNAL CONTROLS AND PROCEDURES

All new employees will be given proper training in the procedures itemized in this document by existing, experienced staff members. The length of training is commensurate with the amount of prior experience of the new employee and will be adequate, so he or she fully understands the financial procedures of the County. Employees will receive refresher training as needed.

POSITION TITLES

In the above policies and procedures, the position of "grant manager" is referenced. This is not a specific position within the County but, as noted in the Recommendations, it is instead the person who is administering the grant at the County. In instances where the grant manager is the County Administrator, the Treasurer will review and approve the reports and work performed by the Administrator to ensure appropriate internal controls.

CONFLICTS OF INTEREST/PECUNIARY INTERESTS

See the County's Code of Conduct policy.

CONSEQUENCES OF COMPLIANCE FAILURES

All employees are instructed to follow the procedures contained herein. Any employee who does not follow these procedures as instructed will be disciplined in a progressive manner as itemized in the County's Personnel Manual or other contract agreement

GRANT ONBOARDING AND MANAGEMENT PROCESS

The objective of this process is to establish guidelines for Ogemaw County to accept and manage grant funds received within the County.

PROCEDURES

County employees and elected officials wishing to apply for a grant on behalf of the County will bring the grant opportunity to the County Administrator and work with the Administrator to complete the application and ensure that all financial and legal requirements are met.

Grant awards under \$2,000 may be accepted, after the appropriate legal review, by the Administrator. Grant awards for \$2,000 or more must be brought before the Board of Commissioners and approved before being accepted.

The employee/elected official responsible for submitting reports to the grantor is responsible for creating reminders within the grant record to ensure that the reports are submitted on time and to the appropriate contact person. Reporting requirements, unless otherwise determined, will be the responsibility of the grant manager. Reports must be reviewed before being submitted to the grantor. The grant manager will review all such reports, unless the grant manager is the preparer. In those instances, the Administrator, or designee, will perform the appropriate review. Review of the required grant reports must be documented.

For any employee/elected official that does not have BS&A General Ledger access but is responsible for managing a grant, a system access form must be completed, and that person will be given custom access to the grant management portion of the BS&A General Ledger.