

**SOUTH MICHIGAN FOOD BANK**  
**FEDERAL AWARDS SUPPLEMENTAL INFORMATION**  
**For the Year Ended December 31, 2019**

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# SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors  
South Michigan Food Bank  
Battle Creek, MI

We have audited the financial statements of South Michigan Food Bank (a nonprofit organization), as of and for the year ended December 31, 2019, and have issued our report thereon dated September 21, 2020, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. We have not performed any procedures with respect to the audited financial statements subsequent to September 21, 2020.

The accompanying schedule of expenditures of federal awards is presented for purpose of additional analysis, as required by the Uniform Guidance, and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

*Seber Tans, PLC*

Seber Tans, PLC  
Kalamazoo, Michigan  
September 21, 2020

# SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

**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**

To the Board of Directors  
South Michigan Food Bank

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 South Michigan Food Bank (a nonprofit organization), which comprise the statement of financial position as of December 31, 2019, and the related statements of activities and changes in net assets, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated September 21, 2020.

#### **Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Organization'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Michigan Food Bank's internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies listed as 2019-001 and 2019-002.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Organization'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*.

### **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 organization'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 organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Seber Tans, PLC*

Seber Tans, PLC  
Kalamazoo, Michigan

September 21, 2020

# SEBER TANS, PLC

CONSULTANTS & CERTIFIED PUBLIC ACCOUNTANTS

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

To the Board of Directors  
South Michigan Food Bank

### Report on Compliance for Each Major Federal Program

We have audited the South Michigan Food Bank's (the Organization) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended December 31, 2019. The Organization's major federal programs are identified in the summary of auditor's 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.

### Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Organization'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 the Organization's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### Opinion on Each Major Federal Program

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

## Report on Internal Control Over Compliance

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



Seber Tans, PLC  
Kalamazoo, Michigan

September 21, 2020

**South Michigan Food Bank  
Schedule of Expenditures of Federal Awards  
Year Ended December 31, 2019**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass- Through Entity Identifying Number</u>	<u>Federal Expenditures</u>
<b>Clusters:</b>			
<b>U.S. Department of Agriculture</b>			
<b>Food Distribution Cluster:</b>			
Passed through Food Bank Council of Michigan			
Emergency Food Assistance Program - Administrative Costs:			
2018-19 Administrative Costs	10.568	9/30/2019	75,644
2019-20 Administrative Costs	10.568	9/30/2020	<u>11,856</u>
Total Emergency Food Assistance Program - Administrative Costs			<u>87,500</u>
Emergency Food Assistance Program - Food Commodities:			
2018-19 Food Commodities	10.569	9/30/2019	2,081,993
2019-20 Food Commodities	10.569	9/30/2020	<u>460,452</u>
Total Emergency Food Assistance Program - Food Commodities			<u>2,542,445</u>
Total Food Distribution Cluster			<u>2,629,945</u>
<b>Other Federal Awards:</b>			
<b>U.S. Department of Agriculture</b>			
<b>Trade Mitigation Program Eligible Recipient Agency Operational Funds:</b>			
Passed through Food Bank Council of Michigan			
Trade Mitigation Administrative Costs:			
2018-19 Trade Mitigation Administrative Costs	10.178	9/30/2019	80,638
2019-20 Trade Mitigation Administrative Costs	10.178	9/30/2020	<u>31,900</u>
Total Trade Mitigation Administrative Costs			<u>112,538</u>
Trade Mitigation Food Commodities:			
2018-19 Trade Mitigation Food Commodities	10.178	9/30/2019	1,977,038
2019-20 Trade Mitigation Food Commodities	10.178	9/30/2020	<u>720,273</u>
Total Trade Mitigation Food Commodities Costs			<u>2,697,311</u>
Total Trade Mitigation Program Eligible Recipient Agency Operational Funds			<u>2,809,849</u>
<b>Total Federal Awards</b>			<u><u>\$ 5,439,794</u></u>

See Independent Auditors' Report and the Notes to the Schedule of Expenditures of Federal Awards.

**South Michigan Food Bank**  
**Notes to Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2019**

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**NOTE A – Summary of Significant Accounting Policies**

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the South Michigan Food Bank and is presented on the accrual basis of accounting. 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), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements. Because the schedule presents only a selective portion of the operations of the South Michigan Food Bank, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the South Michigan Food Bank.

The Organization has elected to not use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

**NOTE B – Food Commodities**

Nonmonetary assistance is reported based on the commodities received and disbursed. The value per pound is established by guidelines published by Feeding America, a nationally recognized food donation charity.

**NOTE C – Pass-Through Entities**

South Michigan Food Bank receives certain federal grants as subawards from non-federal entities. Pass-through entities, when applicable, have been identified in the schedule.

**South Michigan Food Bank  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2019**

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**SUMMARY OF AUDITORS' RESULTS**

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness identified? No

Significant deficiency identified that is not considered to be a material weakness? Yes

Noncompliance material to financial statements noted? No

Federal Awards

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

Internal control over major programs:

Material weakness identified? No

Significant deficiency identified that is not considered to be a material weakness? No

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR Section 500.516(a)? No

**Major programs:**

CFDA Number

10.178

Name of Federal Program or Cluster

Trade Mitigation Program Eligible Recipient Agency Operational Funds

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

Auditee qualified as low-risk auditee? Yes

**South Michigan Food Bank  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2019**

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**FINDINGS—FINANCIAL STATEMENTS – CURRENT YEAR**

**2019-001 – Significant Deficiency – Segregation of Duties**

Condition and Criteria:

Receipts are processed under single control and the master cash receipts worksheet is kept in an unsecured computer file allowing access by multiple individuals.

Cause and Effect:

There appeared to be lack of segregation of duties relating to receipts. There was also a lack of security relating to the master cash receipts worksheet which could result in unauthorized changes to the file prior to review by a second individual. There were no misstatements noted during the audit relating to these conditions.

Recommendation:

We recommend that the Organization establish safeguards to limit access to the master cash receipts worksheet file, as well as adding a second person to review the worksheet and compare it to copies of receipts. We further recommend that the processing of incoming receipts be under dual control.

Management Response:

*The Organization has reviewed the above finding and will add additional controls in these areas to ensure future compliance.*

**2019-002 – Significant Deficiency – Documentation of Non-Cash Disbursements Processes**

Condition and Criteria:

There are no documented procedures available for non-cash disbursements or distributions.

Cause and Effect:

Lack of written procedures can create potential for internal controls to not be followed by individuals involved in the process. Testing of inventory performed resulted in no discrepancies and no adjustments for distributions were noted. The client representative was able to verbally explain process for distribution; however, no actual written processes were available.

Recommendation:

We recommend that the Organization create and maintain written procedures relating to non-cash disbursements and distributions.

Management Response:

*The Organization has reviewed the above finding and will add additional controls in these areas to ensure future compliance.*

**South Michigan Food Bank  
Schedule of Prior Year Findings and Questioned Costs  
For the Year Ended December 31, 2019**

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**FINDINGS—FINANCIAL STATEMENTS – PRIOR YEAR**

<b>Audit Finding</b>	<b>Current Status</b>
Program: Emergency Food Assistance Program (TEFAP) – Food Commodities – CFDA No. 10.569	This finding has been corrected in the current year.
2018-001 – Eligibility – Food was distributed to ineligible agencies/programs that could not verify the poverty guidelines because the participants were not over 17 years old to sign the required document.	