

**PROGRAM INTERITY ASSESSMENT
for the
INTER-TRIBAL COUNCIL OF MICHIGAN, INC.
LOW INCOME ENERGY ASSISTANCE PROGRAM**

RECENT AUDIT FINDINGS

Auditing of the Inter-Tribal Council of Michigan, Inc. is conducted each year by an independent contractor. Attached is a letter from our Auditors for last year's audit with their findings and recommendations. The only finding from last year was that a cell phone reimbursement policy was not in place. As of today, one has been approved by the Board of Directors and was implemented June 1, 2010. A copy of the audit is sent to the awarding agencies each year.

COMPLIANCE MONITORING

Again, our Agency is audited by an independent contractor to ensure we are in compliance with each awarding agency's policies.

FRAUD POLICY

PURPOSE

This policy is established to facilitate the development of controls which will aid in the detection and prevention of fraud against the Inter-Tribal Council of Michigan's Low Income Energy Assistance Program. It is the intent of ITC to promote consistent organizational behavior by providing guidelines and assigning responsibility for the development of controls and conduct of investigations.

This policy applies to any fraud, or suspected fraud, involving employees as well as shareholders, consultants, vendors, contractors, outside agencies doing business with employees of such agencies, and/or any other parties/clients with a business relationship with ITC. Any investigative activity required will be conducted without regard to the suspected wrongdoer's length of service, position/title, or relationship to the company.

POLICY

Management is responsible for the detection and prevention of fraud, misappropriations, and other inappropriate conduct. Fraud is defined as the intentional, false representation or concealment of a material fact for the purpose of inducing another to act upon it to his or her injury. Each member of the management team will be familiar with the types of improprieties that might occur within his or her area of responsibility, and be alert for any indication of irregularity.

Any fraud that is detected or suspected must be reported immediately to the Program Manager, who coordinates all investigations with other affected areas, both internal and external.

ACTIONS CONSTITUTING FRAUD

The terms defalcation, misappropriation, and other fiscal wrongdoings refer to, but are not limited to:

- Any dishonest or fraudulent act
- Providing false or incomplete information (such as social security numbers, number of people in household, income, etc.)
- Forgery or alteration of any document or application
- Forgery or alteration of a check, bank draft, or any other assets
- Impropriety in the handling or reporting of money or financial transactions
- Profiteering as a result of insider knowledge of company activities
- Disclosing confidential and propriety information to outside parties
- Disclosing to other persons securities activities engaged in or contemplated by the program
- Any similar or related inappropriate conduct

.INVESTIGATION RESPONSIBILITIES

The Program Manager has the primary responsibility for the investigation of all suspected fraudulent acts as defined in the policy. If the investigation substantiates that fraudulent activities have occurred, the Program Manager will issue reports to appropriate designated personnel and, if appropriate, to the Board of Directors.

Decisions to prosecute or refer the examination results to the appropriate law enforcement and/or regulatory agencies for independent investigation will be made in conjunction with legal counsel and senior management, as will final decision on disposition of the case.

CONFIDENTIALITY

The Program Manager treats all information received confidentially. Any outreach worker who suspects dishonest or fraudulent activity will notify the Program Manager immediately, and should not attempt to personally conduct investigations or interviews/interrogations related to any suspected fraudulent act. Investigation results will not be disclosed or discussed with anyone other than those who have a legitimate need to know. This is important in order to avoid damaging the reputations of persons suspected but subsequently found innocent of wrongful conduct and to protect the company from potential civil liability.

REPORTING PROCEDURES

Great care must be taken in the investigation of suspected improprieties or wrongdoings so as to avoid mistaken accusations or alerting suspected individuals that an investigation is under way.

An outreach worker who discovers or suspects fraudulent activity will contact the Program Manager immediately. The employee or other complainant may remain anonymous. All inquiries concerning the activity under investigation from the suspected individual, his/her attorney or representative, or any other inquirer should be directed to

the Program Manager. No information concerning the status of an investigation will be given out. The proper response to any queries is: "I am not at liberty to discuss this matter." Under no circumstances should any reference be made to "the allegation," "the crime," "the fraud," "the forgery," "the misappropriation," or any other specific reference. The reporting individual should be informed of the following:

- Do not contact the suspected individual in an effort to determine facts or demand restitution
- Do not discuss the case, facts, suspicions, or allegations with anyone

VERIFYING APPLICANT IDENTITIES

When applying for ITC's Low Income Energy Assistance Program, each applicant must provide a copy of their tribal card and social security numbers for each member of the household. Most tribal members have tribal ID's with their picture on it verifying who they are. It will be required this year that copy of each member of the household's social security card and a photo ID (if a letter of enrollment is being used instead of tribal card) be attached with the application.

CROSS CHECKING SOCIAL SECURITY NUMBERS AGAINST GOVERNMENT SYSTEMS/DATABASES

This would not be applicable to our Agency as we have no means to obtain these systems. Applicants will be required to have a photo ID and a copy of all household member's social security card.

VERIFYING APPLICANT INCOME

Each client is required to attach documentation of all household income. Providing false information or documentation can result in referral to the prosecuting attorney for fraud, and/or recovery of funds paid. This is listed as one of the acknowledgements on the application. The applicant is required to sign the application and certifies that all information provided is true, correct, and complete to the best of their knowledge.

PRIVACY-PROTECTION AND CONFIDENTIALITY

All employees of the Inter-Tribal Council of Michigan, Inc. are required to sign a Confidentiality Agreement when beginning employment. (See attached)

LIEAP BENEFITS POLICY

Payments are made directly to the vendor on behalf of the client. An approval letter is sent along with payment to the vendor with the client's name, address, account number, and amount to be credited towards their account.

PROCEDURES FOR UNREGULATED ENERGY VENDORS

Unregulated vendors will follow the same procedures as stated in the Fraud section of this plan.

VERIFYING THE AUTHENTICITY OF ENERGY VENDORS

Most of the client's vendors are regulated through the State of Michigan, ie. DTE Energy, Consumers Energy, Cloverland Electric, etc. There are very few that are not regulated, ie. wood providers. These are local vendors in each tribe's area and they are known throughout the community.

TRAINING AND TECHNICAL ASSISTANCE

Training and/or technical assistance will be provided by the Program Manager to ensure that the outreach workers, clients, and vendors know and follow the procedures set forth in this plan.

AUDITS OF LOCAL ADMINISTERING OFFICES

N/A



ANDERSON, TACKMAN & COMPANY, PLC
CERTIFIED PUBLIC ACCOUNTANTS

KINROSS OFFICE

PHILLIP J. WOLF, CPA, PRINCIPAL
SUE A. BOWLBY, CPA, PRINCIPAL
KENNETH A. TALSMA, CPA, PRINCIPAL

ROBERT L. HASKE, CPA
TRISH D. BRAZIL, CPA

MEMBER AICPA
DIVISION FOR CPA FIRMS

MEMBER MACPA

OFFICES IN
MICHIGAN & WISCONSIN

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

Board of Directors
Inter-Tribal Council of Michigan, Inc.
2956 Ashmun
Sault Ste. Marie, MI 49783

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Inter-Tribal Council of Michigan, Inc. for the year ended September 30, 2009, and have issued our report thereon dated November 20, 2009. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter dated October 1, 2009, our responsibility, as described by professional standards, is to express opinions about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities.

In planning and performing our audit, we considered the Inter-Tribal Council of Michigan, Inc.'s internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions 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 the Inter-Tribal Council of Michigan, Inc.'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 the Inter-Tribal Council of Michigan, Inc.'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 the Inter-Tribal Council of Michigan, Inc.'s compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Inter-Tribal Council of Michigan, Inc.'s compliance with those requirements.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on October 1, 2009.

Significant Accounting Policies

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Inter-Tribal Council of Michigan, Inc. are described in Note A 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 the governmental unit during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

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 depreciation expense is based on estimated lives. We evaluated the key factors and assumptions used to develop the estimate in determining that it is reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management's estimate of the allowance for uncollectible accounts receivable is based on past experience and future expectations for collection of various account balances and has been determined to be zero.

Difficulties Encountered in Performing the Audit

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

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreement with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, 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.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated November 20, 2009.

Management 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 as to determine the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

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

Comments and Recommendations

GASB 54 Fund Balance Components

The Governmental Accounting Standards Board has recently issued a new pronouncement, GASB #54 – Fund Balance Reporting and Governmental Fund Type Definitions. GASB #54 eliminates the current use of the terms reserved and designated in the reporting of fund balance, and replaces those terms with five new categories for segregating fund balance. The Standard is effective for periods beginning after June 15, 2010.

Following are the new categories and related definitions to be used for describing the components of your fund balance:

- **Non-spendable** – Includes amounts either not in spendable form or legally or contractually required to be maintained intact. This would include inventory, prepaids, and non-current receivables.
- **Restricted** – Reflects the same definition as Restricted net assets: Constraints placed on the use of amounts are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. This would generally include amounts in bonded capital projects funds and debt service funds.
- **Committed** – Includes amounts that are committed for specific purposes by formal action of the government’s highest level of decision-making authority. Amounts classified as “committed” are not subject to legal enforceability like restricted fund balance; however, those amounts cannot be used for any other purpose unless the government removes or changes the limitation by taking the same form of action it employed to previously imposed the limitation.
- **Assigned** – Amounts that are intended by the government to be used for specific purposes, but are neither restricted nor limited, should be reported as assigned fund balance. Intent should be expressed by the Board itself or a subordinate high-level body or official possessing the authority to assign amounts to be used for specific purposes in accordance with policies established by the board. This would include ANY activity reported in a fund other than the General Fund.
- **Unassigned** – Includes any remaining amounts after applying the above definitions. Planned spending in the subsequent year’s budget would be included here and can no longer be described as “designated”.

The Standard also requires disclosure in the financial statements of any minimum fund balance policies. We encourage the Council to become familiar with the new terms and definitions and work with the users of the financial statements to ensure a clear presentation and understanding of the new requirements.

Policies

Currently, there is no cell phone reimbursement policy in place, only a company issued cell phone policy. We recommend that the board adopt a cell phone reimbursement policy that defines reimbursement amounts and includes an outline of possible wage reporting implications for the personal use portion of the cell phone.

Conclusion

We would like to express our appreciation, as well as that of our staff for the excellent cooperation we received while performing the audit. If we can be of assistance, please contact us.

This information is intended solely for the information and use of management, the Inter-Tribal Council of Michigan, Inc., federal awarding agencies, pass-through entities, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Anderson Tackman & Co PLC

Anderson, Tackman & Company, PLC
Certified Public Accountants

November 20, 2009

Inter-Tribal Council of Michigan, Inc.

Confidentiality Agreement

The Inter-Tribal Council of Michigan, Inc. strictly adheres to the highest standard of professionalism and confidentiality. The nature of services provided requires information to be handled in a private, confidential manner. Information about our employees and our clients is confidential. Violation of such confidentiality is subject to penalty under the Privacy Act 5 U.S.C. subsection 552A (as amended).

Employees who willfully violate the Privacy Act are guilty of a misdemeanor and are subject to a fine of \$5,000.00. Persons who knowingly and willfully request or obtain records concerning an individual under false pretenses are also guilty of a misdemeanor and subject to a \$5,000.00 fine. Violation of the confidentiality agreement is cause for immediate termination. In cases where employees are unsure if information is confidential, they must consult with their supervisor.

I have read and understand the confidentiality agreement and the penalty of any violations. This signed confidentiality agreement will be placed in my personnel file.

SIGNATURE

DATE

Bay Mills Indian Community
Brimley, Michigan 49715

**Grand Traverse Band
of Ottawa & Chippewa Indians**
Suttons Bay, Michigan 49682

Hannahville Indian Community
Willson, Michigan 49896

Saginaw Chippewa Indian Tribe
Mt. Pleasant, Michigan 48858

**Little Traverse Bay
Bands of Odawa Indians**
Harbor Springs, Michigan 49740

**Nottawaseppi Band of
Huron Potawatomi**
Fulton, Michigan 49052



Keweenaw Bay Indian Community
Baraga, Michigan 49908

**Lac Vieux Desert
Indian Community**
Watersmeet, Michigan 49889

**Sault Ste. Marie
Tribe of Chippewa Indians**
Sault Ste. Marie, Michigan 49783

**Pokagon Band of
Potawatomi Indians**
Dowagiac, Michigan 49047

**Match-E-Be-Nash-She
(Gun Lake Tribe)**
Dorr, Michigan 49323

RESOLUTION 10-04-27A

WHEREAS: The Inter-Tribal Council of Michigan, Inc., is a duly organized governing body under State Charter filed April 16, 1968, and

WHEREAS: Article II of the Articles of Incorporation established a Joint Tribal Organization which now represented eleven (11) federally recognized reservations in Michigan, these being the Bay Mills Indian Community, Hannahville Indian Community, Keweenaw Bay Indian Community, Saginaw Chippewa Indian Tribe, Sault Ste. Marie Tribe of Chippewa Indians, Lac Vieux Desert Band of Lake Superior Chippewa Indians, Grand Traverse Band of Ottawa and Chippewa Indians, Little Traverse Bay Bands of Odawa Indians, Gun Lake Tribe, Huron Potawatomi Nation and Pokagon Band of Potawatomi, and

WHEREAS: The Department of Health and Human Services, United States Federal Government has made grant funds available to Indian Tribes/Organizations, and

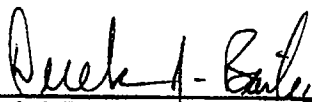
WHEREAS: The Inter-Tribal Council of Michigan, Inc. desires to continue contracting with HHS/OCS/AC to residents of Bay Mills, Hannahville, Lac Vieux Desert, Saginaw Chippewa, Huron Potawatomi, Gun Lake Tribe and Little Traverse Bay Bands, and

WHEREAS: The Low Income Energy Assistance Program will assist Tribal Community members in meeting their yearly energy needs.

NOW THEREFORE BE IT RESOLVED: The Inter-Tribal Council of Michigan, Inc. desires to administer the Low Income Energy Assistance Program for the member tribes fiscal year 2011.

CERTIFICATION

The foregoing resolution was duly adopted by the Board of Directors of the Inter-Tribal Council Michigan, Inc. meeting on April 27, 2010 with 9 votes in support, 0 in opposition, and 0 abstaining.



Derek J. Bailey
Chairman, Inter-Tribal Council of MI, Inc.