

County of
Muskegon,
Michigan



Year Ended
September 30,
2020

Single Audit Act
Compliance

Rehmann

COUNTY OF MUSKEGON, MICHIGAN

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

March 29, 2021

Honorable Members of the
Board of Commissioners
of the County of Muskegon, Michigan
Muskegon, 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 the **County of Muskegon, Michigan** (the "County") as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 29, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain other procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rehmann Loborn LLC

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COUNTY OF MUSKEGON, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2020

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE					
Child Nutrition Cluster:					
School Breakfast Program (SBP)	10.553	MDE	201970 / 191970	\$ -	\$ 11,055
National School Lunch Program (NSLP)	10.555	MDE	201960 / 191960	-	17,496
After School Snack Program (ASSP)	10.555	MDE	201980 / 191980	-	4,699
			Total Child Nutrition Cluster	-	33,250
Special Supplemental Nutrition Program for Women, Infants, & Children (WIC):					
WIC Program-Breastfeeding	10.557	MDHHS	182MI013W5003	-	32,500
WIC Program-Breastfeeding	10.557	MDHHS	192MI013W5003	-	19,500
WIC Program-Breastfeeding	10.557	MDHHS	202MI003W1003	-	4,136
WIC Program-Resident Services, WIC Admin	10.557	MDHHS	202MI003W1003	-	1,024,488
				-	1,080,624
Forest Service Schools and Roads Cluster:					
Schools and Roads – Grants to States (2019)	10.665	MDNR	-n/a-	4,589	4,589
U.S. Forest Service Law Enforcement Cooperative Agreement					
	10.704	Direct	16-LE-11090400-017	-	4,895
			Total U.S. Department of Agriculture	4,589	1,123,358
U.S. DEPARTMENT OF THE INTERIOR					
Payments in Lieu of Taxes - National Forestry Reserve	15.226	Direct	-n/a-	-	31,895
U.S. DEPARTMENT OF JUSTICE					
COVID-19 - Coronavirus Emergency Supplemental Funding	16.034	Direct	2020-VD-BX-0204	-	31,051
Crime Victim Assistance	16.575	MDHHS	E20201178	-	69,481
Adult Opioid Recovery Court	16.585	Direct	2019-MO-BX-0037	-	115,771
STOP Violence Against Women Grant	16.588	MDHHS	E20203667	-	70,284
Edward Byrne Memorial JAG Program:					
West Michigan Enforcement Team Ottawa County	16.738	CO	70834-7-WEMET-2020	-	14,013
West Michigan Enforcement Team Ottawa County	16.738	CO	70834-8-WEMET-2020	-	15,000
Video Recording Modernization Grant	16.738	MSP	73030-1-20	-	211,709
				-	240,722
			Total U.S. Department of Justice	-	527,309
U.S. DEPARTMENT OF TRANSPORTATION					
Airport Improvement Program:					
COVID-19 - CARES Act Airport Grant	20.106	Direct	3-26-0071-045-2020	-	171,784
Section 5304 Statewide and Non-Metropolitan Planning:					
Route Study / Comprehensive Operational Analysis	20.505	MDOT	2017-0104/P7	-	48,494
Federal Transit Cluster:					
Section 5307 Formula Grants:					
Capital Assistance	20.507	Direct	MI-2017-022-01	-	64,496
Capital Assistance	20.507	Direct	MI-2019-028-00	-	81,571
COVID-19 - Capital Assistance (CARES Act Operating Assistance)	20.507	Direct	MI-2020-014-00	-	1,752,299
Capital Assistance	20.507	Direct	MI-2020-023-00	-	378,147
				-	2,276,513

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COUNTY OF MUSKEGON, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2020

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION (CONCLUDED)					
Federal Transit Cluster (concluded)					
Section 5339 Bus and Bus Facilities Formula Program:					
Capital Assistance/Support Equipment	20.526	Direct	MI-2018-025-01	\$ -	\$ 206
Capital Assistance/Support Equipment	20.526	Direct	MI-2019-028-00	-	33,695
					<u>33,901</u>
			Total Federal Transit Cluster	-	2,310,414
Section 5311 Operating Formula Grants for Rural Areas:					
COVID-19 - Operating Assistance (CARES Act)	20.509	MDOT	2017-0104/P17-R1	-	12,561
Transit Services Programs Cluster:					
Bus Stop Improvements	20.521	MDOT	2017-0104/P16	-	62,354
Highway Safety Cluster:					
Strategic Traffic Enforcement Program	20.600	MSP	PT-20-32	-	14,108
Alcohol Impaired Driving Countermeasures	20.601	MSC SCAO	2019-17729	-	39,730
			Total Highway Safety Cluster	-	53,838
Hazardous Materials Emergency Preparedness Grant	20.703	MSP	HM-HMP-0558-16-01-00	-	1,000
			Total U.S. Department of Transportation	-	2,660,445
U.S. DEPARTMENT OF TREASURY					
COVID-19 - Coronavirus Relief Fund (CRF):					
CRF Local Health Department Contact Tracing	21.019	MDHHS	SLT0040 / 220000	-	34,853
Coronavirus Relief Local Government Grants (CRLGG)	21.019	MDT	SLT0040	-	1,369,920
First Responder Hazard Pay Premiums Program (FRHPPP)	21.019	MDT	SLT0040 and SLT0247	-	96,000
Public Safety & Public Health Payroll Reimbursement Program (PSPHPR)	21.019	MDT	SLT0040 and SLT0247	-	1,290,672
			Total U.S. Department of Treasury	-	2,791,445
U.S. ENVIRONMENTAL PROTECTION AGENCY					
State Drinking Water Revolving Loan Fund Cluster	66.468	MDEGLE	FS975487-18	-	4,040
Great Lakes Beach Water Monitoring	66.472	MDEGLE	CU-OOE99310	7,614	7,614
			Total U.S. Environmental Protection Agency	7,614	11,654
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES					
Public Health Emergency Preparedness Programs:					
Hospital Preparedness 10/01/19 - 6/30/20:					
Award Date 7/19/2017	93.069	MDHHS	NU90TP921906	-	12,284
Award Date 6/25/2019	93.069	MDHHS	U3REP190584	-	93,080
Hospital Preparedness 7/01/20 - 9/30/20	93.069	MDHHS	NU90TP922062	-	33,122
					<u>138,486</u>
Tuberculosis (TB) Control Program:					
Award year 2015	93.116	MDHHS	U52PS004693	-	906
Award year 2019	93.116	MDHHS	NU52PS910173	-	1,475
					<u>2,381</u>
Immunization Cooperative Agreements:					
Vaccines for Children (non-cash assistance)	93.268	MDHHS	n/a	-	73,454
Immunization Action Plan (IAP)	93.268	MDHHS	NH23IP922635	-	82,687
Immunization Fixed Fees	93.268	MDHHS	NH23IP922635	-	2,450
					<u>158,591</u>

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COUNTY OF MUSKEGON, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2020

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Total Subawards	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONCLUDED)					
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC):					
COVID-19 - ELC COVID-19 Contact Tracing Coordination	93.323	MDHHS	NU50CK000510	\$ -	\$ 342,760
COVID-19 - ELC COVID-19 Infection Prevention	93.323	MDHHS	NU50CK000510	-	30,000
				<u>-</u>	<u>372,760</u>
Emergency Response: Public Health Crisis Response:					
Local Health Opioid Response	93.354	MDHHS	NU90TP921987	-	8,393
COVID-19 - PHEP COVID-19 Response	93.354	MDHHS	NU90TP922074	-	222,000
				<u>-</u>	<u>230,393</u>
Child Support Enforcement (Title IV-D):					
Cooperative Reimbursement Program - Friend of the Court	93.563	MDHHS	CSCOM17-61003	-	2,473,651
Child Support Incentives	93.563	MDHHS	CSCOM17-61003	-	288,314
				<u>-</u>	<u>2,761,965</u>
Child Support Enforcement Research:					
Procedural Action to Self Sufficiency (PASS)	93.564	MDHHS	90FD0207/ADMIN18-61001	-	670,060
State Access and Visitation Program					
	93.597	MSC SCAO	SCAO-2020-023	-	1,398
Medicaid Cluster:					
Medical Assistance Program (Medicaid):					
Children's Special Health Care Services (CSHCS):					
CSHCS Outreach & Advocacy	93.778	MDHHS	2005MI5ADM	-	58,361
CSHCS Medicaid Elevated Blood Lead Case Mgmt	93.778	MDHHS	2005MI5ADM	-	2,016
CSHCS Medicaid Outreach	93.778	MDHHS	2005MI5ADM	-	17,020
CSHCS Care Coordination Services: Title V / XIX	93.778	MDHHS	2005MI5MAP	-	10,630
CSHCS Case Management Services: Title V / XIX	93.778	MDHHS	2005MI5MAP	-	302
				<u>-</u>	<u>88,329</u>
Maternal and Child Health Services Block Grant to the States:					
Public Health Functions & Infrastructure:					
Award date 11/15/2018	93.994	MDHHS	B04MC32550	-	10,069
Award date 10/30/2019	93.994	MDHHS	B04MC33846	-	68,829
Enabling Services Women	93.994	MDHHS	B04MC33846	-	1,767
Enabling Services Children	93.994	MDHHS	B04MC33846	-	7,884
Fetal Infant Mortality Review Case Abstraction	93.994	MDHHS	B04MC33846	-	810
Infant Safe Sleep Program	93.994	MDHHS	B04MC33846	-	18,695
Childhood Lead Poisoning Prevention Program	93.994	MDHHS	B04MC33846	-	20,000
Care Coordination: Title V Clients	93.994	MDHHS	2005MI5MAP	-	6,270
				<u>-</u>	<u>134,324</u>
				<u>-</u>	<u>4,558,687</u>
Total U.S. Department of Health and Human Services					
CORPORATION FOR NATIONAL & COMMUNITY SERVICE					
AmeriCorps Urban Safety Corps	94.006	MDHHS	MACFF2019-E20183159/18AFHMI001	-	78,893
EXECUTIVE OFFICE OF THE PRESIDENT					
High Intensity Drug Trafficking Areas Programs	95.001	MSP/CO	-n/a-	-	6,633
U.S. DEPARTMENT OF HOMELAND SECURITY					
Emergency Management Performance Grant	97.042	MSP	EMC-2020-EP-00005	-	41,799
Homeland Security Grant Program	97.067	WMRMC	R6-2017-80 /R6-2018-80	-	58,383
				<u>-</u>	<u>100,182</u>
Total U.S. Department of Homeland Security					
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ 12,203</u>	<u>\$ 11,890,501</u>

concluded

See notes to schedule of expenditures of federal awards.

COUNTY OF MUSKEGON, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of the **County of Muskegon, Michigan** (the "County") under programs of the federal government for the year ended September 30, 2020. 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). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County.

The County's reporting entity is defined in Note 1 of the County's Comprehensive Annual Financial Report. The County's financial statements include the operations of the Muskegon County Road Commission, a discretely presented component unit, and HealthWest, a major special revenue fund, which received federal awards that are not included in the Schedule for the year ended September 30, 2020, as these entities were separately audited.

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting, which is described in Note 1 to the County's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance or other applicable guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

2. DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the County has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. RECONCILIATION TO FINANCIAL STATEMENTS

A reconciliation of the amounts presented in the Schedule to the amounts presented in the financial statements is as follows:

Federal revenue as reported in the financial statements:	
Governmental funds	\$ 14,074,776
Enterprise funds:	
Grants and contributions - federal	2,619,660
Capital contributions - federal	500,734
Internal service funds - capital contributions - federal	386,732
Component units - included in capital grants and contributions	78,893
Amounts expended directly by the Michigan Department of Transportation for the benefit of the County of Muskegon	(500,734)
Amounts received under a vendor relationship	(461,569)
Amounts audited by other auditors	<u>(4,807,991)</u>
Federal expenditures as reported on the Schedule	<u>\$ 11,890,501</u>

COUNTY OF MUSKEGON, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

4. PASS-THROUGH AGENCIES

The County receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
CO	County of Ottawa, Michigan
MDE	Michigan Department of Education
MDEGLE	Michigan Department of Environmental, Great Lakes & Energy
MDHHS	Michigan Department of Health and Human Services
MDNR	Michigan Department of Natural Resources
MDOT	Michigan Department of Transportation
MDT	Michigan Department of Treasury
MSP	Michigan State Police
MSC SCAO	Michigan Supreme Court, State Court Administrative Office
WMRMC	West Michigan Regional Medical Consortium

5. OTHER FEDERAL REVENUE

The County is an indirect beneficiary of federal funds that are expended directly by the Michigan Department of Transportation. These expenditures (which totaled \$500,734 for the year ended September 30, 2020) are not presented on the Schedule, as they will be included in the single audit for the State of Michigan.



**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***

March 29, 2021

Honorable Members of the
Board of Commissioners
of the County of Muskegon, Michigan
Muskegon, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the **County of Muskegon, Michigan** (the "County"), as of and for the year ended September 30, 2020, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 29, 2021. Our report includes a reference to other auditors who audited the financial statements of the Muskegon County Road Commission (a discretely presented component unit) and HealthWest (a major special revenue fund), as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Muskegon County Road Commission were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

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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. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, as item 2020-001 that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 financial statements. 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*.

County of Muskegon's Response to Finding

The County's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

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

March 29, 2021

Honorable Members of the
Board of Commissioners
of the County of Muskegon, Michigan
Muskegon, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of the **County of Muskegon, Michigan** (the "County") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2020. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Muskegon County Road Commission (a discretely presented component unit) and HealthWest (a major special revenue fund), which received federal awards that are not included in the schedule of federal awards. Our audit, described below, did not include the operations of the Muskegon County Road Commission or HealthWest, as those entities engaged other auditors to perform their audits.

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.

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Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County'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 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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2020.

Report on Internal Control Over Compliance

Management of the County 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 County'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 County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

Purpose of this Report

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.

Rehmann Robson LLC

COUNTY OF MUSKEGON, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2020

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? yes X 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? yes X none reported

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Identification of major programs:

CFDA Number

Name of Federal Program or Cluster

10.557 Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

21.019 COVID-19 - Coronavirus Relief Fund (CRF)

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

Auditee qualified as low-risk auditee? X yes no

COUNTY OF MUSKEGON, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

2020-001 - Material Audit Adjustments

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP).

Condition. We identified and proposed certain material adjustments (which were approved and posted by management) to adjust the County's general ledger to the appropriate balances. These entries related to capital assets in the Wastewater enterprise fund and the liability for postclosure costs in the Solid Waste enterprise fund.

Cause. This condition was caused by various oversights in recording adjustments for those areas noted above.

Effect. As a result of this condition, the County's accounting records were initially misstated by amounts material to the financial statements.

Recommendations. The related correcting entries have been reviewed and approved by management, and no further corrective action is required at this time.

View of Responsible Officials. Management agrees with the adjustments proposed by the auditors, and they have been posted to the County's records.

COUNTY OF MUSKEGON, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2020

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

COUNTY OF MUSKEGON, MICHIGAN

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2020

None noted.



MUSKEGON COUNTY

M I C H I G A N

CORRECTIVE ACTION PLAN

BOARD OF COMMISSIONERS

Robert Scolnik
Chair, District 4

Charles Nash
Vice Chair, District 6

Rillastine R. Wilkins
District 1

Marcia Hovey-Wright
District 2

Susie Hughes
District 3

Zach Lahring
District 5

Malinda Pego
District 7

Doug Brown
District 8

Kim Cyr
District 9

Pursuant to federal regulations, Uniform Administrative Requirements Section 200.511, the following is the finding as noted in the County of Muskegon, Michigan's Single Audit report for the year ended September 30, 2020, and corrective actions to be completed.

2020-001 – Material Audit Adjustments

Auditor Description of Condition and Effect. We identified and proposed certain material adjustments (which were approved and posted by management) to adjust the County's general ledger to the appropriate balances. These entries related to capital assets in the Wastewater enterprise fund and the liability for postclosure costs in the Solid Waste enterprise fund. As a result of this condition, the County's accounting records were initially misstated by amounts material to the financial statements.

Auditor Recommendation. The related correcting entries have been reviewed and approved by management, and no further corrective action is required at this time.

Corrective Action. Both of the auditor-proposed adjustments related to capital asset accounting for additions to construction in progress.

The Solid Waste fund adjustment was caused by the landfill liability and capital asset processes both missing a previously-rare situation whereby expenditures that would normally appear to represent capital expenditures are not to be capitalized, per the guidance in Governmental Accounting Standards Board Statement No. 18, *Accounting for Municipal Solid Waste Landfill Closure and Postclosure Care Costs* (GASB 18). Spending on landfill cell closure costs began in fiscal 2020 for a landfill cell that is slated to be closed during fiscal 2021. The audit adjustment ensured that certain closure and postclosure care costs incurred were properly treated as a reduction in the accrued landfill closure and postclosure liability rather than as capital spending added to construction in progress. Landfill accounting procedures are being updated to ensure that special attention is paid to segregate costs between those for the cell that is closing, for which all capital assets must be fully-depreciated at the time of closure, and for new landfill cells to be constructed and operated, which will have capital assets to be depreciated during the time that a new cell is constructed and then in operation.

The Wastewater fund adjustment resulted from an undetected clerical error, material in its effect, whereby the wrong total was carried from a support spreadsheet that had included the correct total, which had been properly calculated but not properly carried forward to the entry. A procedure is being added for enterprise funds to ensure that the capital outlay reclassified to capital assets on the balance sheet at fiscal year-end is not greater than the capital spending for the year, which would be indicative of an error. This comparison using an existing ad hoc report would have detected the problem before audit testing began. Several potential errors were prevented by the County's internal controls during the review of capital asset workpapers and journal entry support, but this particular error was an oversight. Accounting staff assignments will be reviewed to ensure that capital asset accounting, as well as other fiscal year-end duties, will be performed by staff that have the requisite abilities, training and skills needed to prepare accurate and well-documented workpapers and other journal entry support.

Responsible Person. Accounting Manager

Anticipated Completion Date: Prior to September 30, 2021

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