

**COUNTY OF MUSKEGON,
MICHIGAN**

SINGLE AUDIT REPORT

**FOR THE YEAR ENDED
SEPTEMBER 30, 2009**

COUNTY OF MUSKEGON, MICHIGAN

SINGLE AUDIT REPORT

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**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***

January 30, 2010

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* as of and for the year ended September 30, 2009, which collectively comprise the basic financial statements, and have issued our report thereon dated January 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

A *control deficiency* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2009-1 to be a significant deficiency in internal control over financial reporting.

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we consider the significant deficiency described above as item 2009-1 to be a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the County of Muskegon, Michigan in a separate letter dated January 30, 2010.

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

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

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

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

March 15, 2010

(except for the section labeled Schedule of Expenditures of Federal Awards,
as to which the date is January 30, 2010)

To the Board of Commissioners
of Muskegon County, Michigan
Muskegon, Michigan

Compliance

We have audited the compliance of the *County of Muskegon, Michigan* with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of the Organization's major federal programs for the year ended September 30, 2009. The County of Muskegon Michigan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Muskegon Michigan's management. Our responsibility is to express an opinion on the County of Muskegon, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of Muskegon, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of Muskegon, Michigan's compliance with those requirements.

In our opinion, Muskegon County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2009-2 through 2009-4.

Internal Control Over Compliance

The management of the County of Muskegon, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Muskegon, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of Muskegon Michigan's internal control over compliance.

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2009-2 and 2009-3 to be significant deficiencies.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***County of Muskegon, Michigan***, as of and for the year ended September 30, 2009, which collectively comprise the basic financial statements, and have issued our report thereon dated January 30, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Our audit was performed for the purpose of forming an opinion on the County of Muskegon, Michigan's financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

The County of Muskegon, Michigan's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County of Muskegon, Michigan's responses, and accordingly, we express no opinion on them.

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

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

COUNTY OF MUSKEGON, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended September 30, 2009

Federal/Pass-through Grantor Program Title	CFDA Number	Pass-through Grantor Number	Federal Grants/Loans Awarded
U.S. Department of Agriculture			
Direct Programs:			
National School Breakfast Program	10.553	N/A	\$ 10,865
National School Lunch Program	10.555	N/A	16,646
Passed through the Michigan Department of Community Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	N/A	1,009,301
Passed through the Michigan Department of Energy, Labor and Economic Growth:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	134,074
Total U.S. Department of Agriculture			
U.S. Department of Commerce			
Passed through the Department of Economic Development Administration:			
Investments for Public Works and Economic Development Facilities	11.300	N/A	2,562,000
U.S. Department of Housing and Urban Development			
Direct Programs:			
HUD Supportive Housing	14.235	N/A	99,112
HUD Supportive Housing #2	14.235	N/A	15,989
Passed through the Michigan State Housing Development Authority:			
Community Development Block Grant - Housing	14.228	MSC 2008-0787-HOA	375,000
Passed through the Michigan Economic Development Corporation:			
Community Development Block Grant - Digital Divide Investment Program	14.228	MBDA-002-2005	2,216,000
Community Development Block Grant - Western Avenue Redevelopment	14.228	MSC-204071-EDIG	500,000
Community Development Block Grant - Western Avenue Redevelopment	14.228	MSC-204081-EDIG	1,000,000
Total U.S. Department of Housing and Urban Development			
U.S. Department of Justice			
Direct Programs:			
State Criminal Alien Assistance	16.606	N/A	15,340
Edward Byrne Memorial Justice Assistance Grant Program - Tasers	16.738	2008-DJ-BX-0700	16,776
Passed through the Michigan Department of Management and Budget:			
Crime Victim Assistance	16.575	20484-11V05	69,941
Passed through the Office of Drug Control Policy:			
Edward Byrne Memorial Formula Grant Program	16.579	70834-1-09-B	17,664
Passed through Grand Valley State University:			
Community Prosecution and Project Safe Neighborhoods	16.609	N/A	11,916
Passed through the Michigan Department of Corrections:			
Jail Screening and Assessment	16.753	N/A	335,381
Total U.S. Department of Justice			

Federal Grants Earned			Program Expenditures Incurred			Remaining Funds Available
Prior Year	Current Year	Total	Prior Year	Current Year	Total	
\$ -	\$ 10,865	\$ 10,865	\$ -	\$ 10,865	\$ 10,865	\$ -
-	16,646	16,646	-	16,646	16,646	-
-	1,009,301	1,009,301	-	1,009,301	1,009,301	-
-	484	484	-	484	484	133,590
-	1,037,296	1,037,296	-	1,037,296	1,037,296	133,590
2,092,244	372,648	2,464,892	2,092,244	372,648	2,464,892	97,108
-	86,093	86,093	-	86,093	86,093	13,019
-	14,857	14,857	-	14,857	14,857	1,132
15,512	224,797	240,309	15,512	224,797	240,309	134,691
2,079,125	58,150	2,137,275	2,079,125	58,150	2,137,275	78,725
282,877	-	282,877	282,877	-	282,877	217,123
1,000,000	-	1,000,000	1,000,000	-	1,000,000	-
3,377,514	383,897	3,761,411	3,377,514	383,897	3,761,411	444,690
-	15,340	15,340	-	15,340	15,340	-
-	16,764	16,764	-	16,764	16,764	12
-	69,042	69,042	-	69,042	69,042	899
-	17,664	17,664	-	17,664	17,664	-
-	8,964	8,964	-	8,964	8,964	2,952
-	266,477	266,477	-	266,477	266,477	68,904
-	394,251	394,251	-	394,251	394,251	72,767

(continued)

COUNTY OF MUSKEGON, MICHIGAN
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended September 30, 2009

Federal/Pass-through Grantor Program Title	CFDA Number	Pass-through Grantor Number	Federal Grants/Loans Awarded
U.S. Department of Labor			
Passed through the Michigan Department of Energy, Labor and Economic Growth:			
Employment Service/Wagner Peyser Funded Activities	17.207	N/A	\$ 344,844
Trade Adjustment Assistance	17.245	N/A	1,822,967
Workforce Investment Cluster (WIA):			
WIA Adult Program - Administration	17.258	N/A	91,617
ARRA - WIA Adult Program - Administration	17.258	N/A	127,929
WIA Adult Program - Adult	17.258	N/A	1,324,912
ARRA - WIA Adult Program - Adult	17.258	N/A	528,810
WIA Adult Program - No Worker Left Behind Statewide	17.258	N/A	5,163
WIA Adult Program - Youth Statewide	17.258	N/A	1,639
WIA Adult Program - Service Center Operations	17.258	N/A	17,350
WIA Adult Program - TANF Replacement Funds Statewide	17.258	N/A	59,737
WIA Youth Activities - Administration	17.259	N/A	123,683
ARRA - WIA Youth Activities - Administration	17.259	N/A	58,756
WIA Youth Activities	17.259	N/A	892,994
WIA Youth Activities - No Worker Left Behind Statewide	17.259	N/A	6,970
WIA Youth Activities - Youth Statewide	17.259	N/A	2,212
WIA Youth Activities - Service Center Operations	17.259	N/A	23,422
WIA Youth Activities - TANF Replacement Funds Statewide	17.259	N/A	80,645
ARRA - WIA Youth Activities - Summer Youth	17.259	N/A	1,200,000
WIA Dislocated Worker - Administration	17.260	N/A	242,787
ARRA - WIA Dislocated Worker - Administration	17.260	N/A	104,728
WIA Dislocated Worker	17.260	N/A	1,373,489
ARRA - WIA Dislocated Worker	17.260	N/A	942,554
WIA Dislocated Worker - No Worker Left Behind Statewide	17.260	N/A	13,682
WIA Dislocated Worker - Youth Statewide	17.260	N/A	4,342
WIA Dislocated Worker - Service Center Operations	17.260	N/A	45,978
WIA Dislocated Worker - Rapid Response Incumbent Worker	17.260	N/A	103,399
WIA Dislocated Worker - TANF Replacement Funds Statewide	17.260	N/A	158,303
WIA Dislocated Work - National Emergency Assistance (NEG)	17.260	N/A	78,420
WIA Pilots, Demonstrations, and Research Projects - WIRED	17.261	N/A	814,163
Work Incentive Grant (DPN)	17.266	N/A	20,000
Total U.S. Department of Labor			
U.S Department of Transportation			
Direct Programs:			
Federal Transit - Formula Grants	20.507	MI-95-0003	248,000
Federal Transit - Formula Grants	20.507	MI-95-0024	522,547
Federal Transit - Formula Grants	20.507	MI-95-0043	162,000
Federal Transit - Formula Grants	20.507	MI-95-0026	1,216,714
Federal Transit - Formula Grants	20.507	MI-04-0028	245,000
Federal Transit - Formula Grants	20.507	MI-03-0228	485,888
Federal Transit - Formula Grants	20.507	MI-90-0365	1,689,142
Federal Transit - Formula Grants	20.507	MI-90-0388	1,707,054
Federal Transit - Formula Grants	20.507	MI-90-X407	1,968,161
Federal Transit - Formula Grants	20.507	MI-90-X443	1,688,826
Federal Transit - Formula Grants	20.507	MI-90-X497	1,508,469
Federal Transit - Formula Grants	20.507	MI-90-0546	254,000
Federal Transit - Formula Grants	20.507	MI-90-X558	1,456,745
Federal Transit - Formula Grants	20.507	MI-90-X581	625,152
Federal Transit - Formula Grants	20.507	MI-90-X596	915,774
ARRA - Federal Transit - Formula Grants	20.507	ARRA MI-96-0010	2,043,050

Federal Grants Earned			Program Expenditures Incurred			Remaining Funds Available
Prior Year	Current Year	Total	Prior Year	Current Year	Total	
\$ -	\$ 330,194	\$ 330,194	\$ -	\$ 330,194	\$ 330,194	\$ 14,650
-	1,822,967	1,822,967	-	1,822,967	1,822,967	-
-	91,617	91,617	-	91,617	91,617	-
-	28,185	28,185	-	28,185	28,185	99,744
-	928,923	928,923	-	928,923	928,923	395,989
-	248,801	248,801	-	248,801	248,801	280,009
-	1,163	1,163	-	1,163	1,163	4,000
-	1,639	1,639	-	1,639	1,639	-
-	15,482	15,482	-	15,482	15,482	1,868
-	59,737	59,737	-	59,737	59,737	-
-	123,683	123,683	-	123,683	123,683	-
-	12,812	12,812	-	12,812	12,812	45,944
-	863,621	863,621	-	863,621	863,621	29,373
-	1,570	1,570	-	1,570	1,570	5,400
-	2,212	2,212	-	2,212	2,212	-
-	20,900	20,900	-	20,900	20,900	2,522
-	80,645	80,645	-	80,645	80,645	-
-	932,977	932,977	-	932,977	932,977	267,023
-	242,787	242,787	-	242,787	242,787	-
-	23,061	23,061	-	23,061	23,061	81,667
-	1,373,489	1,373,489	-	1,373,489	1,373,489	-
-	409,418	409,418	-	409,418	409,418	533,136
-	3,082	3,082	-	3,082	3,082	10,600
-	4,342	4,342	-	4,342	4,342	-
-	41,026	41,026	-	41,026	41,026	4,952
-	14,228	14,228	-	14,228	14,228	89,171
-	158,303	158,303	-	158,303	158,303	-
-	78,420	78,420	-	78,420	78,420	-
543,590	111,682	655,272	543,590	111,682	655,272	158,891
-	8,046	8,046	-	8,046	8,046	11,954
543,590	8,035,012	8,578,602	543,590	8,035,012	8,578,602	2,036,893

-	248,000	248,000	-	248,000	248,000	-
-	522,547	522,547	-	522,547	522,547	-
-	-	-	-	-	-	162,000
-	-	-	-	-	-	1,216,714
-	245,000	245,000	-	245,000	245,000	-
105,303	68,275	173,578	105,303	68,275	173,578	312,310
1,243,443	31,639	1,275,082	1,243,443	31,639	1,275,082	414,060
1,427,542	-	1,427,542	1,427,542	-	1,427,542	279,512
1,688,961	-	1,688,961	1,688,961	-	1,688,961	279,200
1,600,817	8,009	1,608,826	1,600,817	8,009	1,608,826	80,000
1,345,126	29,361	1,374,487	1,345,126	29,361	1,374,487	133,982
-	254,000	254,000	-	254,000	254,000	-
974,087	390,087	1,364,174	974,087	390,087	1,364,174	92,571
-	562,299	562,299	-	562,299	562,299	62,853
-	-	-	-	-	-	915,774
-	327,092	327,092	-	327,092	327,092	1,715,958

(continued)

COUNTY OF MUSKEGON, MICHIGAN
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended September 30, 2009

Federal/Pass-through Grantor Program Title	CFDA Number	Pass-through Grantor Number	Federal Grants/Loans Awarded
U.S Department of Transportation (Concluded)			
Passed through the Michigan Department of Highway Safety:			
Michigan Association of Chiefs of Police Award	20.600	PT-09-59	\$ 4,943
Safe Communities	20.600	PT-09-39	52,362
Safe Communities	20.602	PT-09-39	8,000
Passed through the Michigan Department of Community Health:			
Safe Routes to School	20.205	N/A	5,310
Passed through the Michigan Department of Transportation:			
New Freedom	20.521	2007-264/Z11	20,000
Job Access Reverse Commute (JARC)	20.516	2007-264/Z12	8,000
Passed through the Michigan State Police Department:			
Hazardous Material Emergency Preparedness Planning	20.703	N/A	2,008
Total U.S Department of Transportation			
U.S. Environmental Protection Agency			
Passed through the Michigan Department of Environmental Quality:			
Capitalization Grants for Clean Water State Revolving Funds:			
Lift Station Repair and Replacement	66.458	5234-01	5,973,662
C-station Replacement	66.458	5232-01	2,249,193
Strainer Project	66.458	5236-02	150,160
Phase I 66-Inch Force Main	66.458	5304-01	134,940
Phase I 66-Inch Force Main	66.458	5304-02	109,793
Beach Monitoring and Notification Program Implementation Grants	66.472	N/A	23,165
Total U.S. Environmental Protection Agency			
U.S Department of Health and Human Services			
Passed through the Michigan Department of Community Health:			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	N/A	43,500
Immunization Grants - Vaccine Provided	93.268	N/A	388,995
Immunization Grants - IAP Fee for service	93.268	N/A	96,643
Centers for Disease Control and Prevention - Investigations and Technical Assistance - Pandemic Flu	93.283	N/A	17,802
Centers for Disease Control and Prevention - Investigations and Technical Assistance - Breast and Cervical Cancer Screen - Coordination	93.283	N/A	71,295
Centers for Disease Control and Prevention - Investigations and Technical Assistance - Cancer - Family Planning Coordination	93.283	N/A	8,100
Centers for Disease Control and Prevention - Investigations and Technical Assistance - Emergency Preparedness	93.283	N/A	162,287
Building Healthy Communities	93.283	N/A	21,000
Child Care and Development Block Grant	93.575	N/A	70,000
Medical Assistance Program - Childhood Lead	93.778	N/A	37,334
Medical Assistance Program - Medicaid Outreach	93.778	N/A	9,163
Medical Assistance Program - CSHCS - Fee for Service	93.778	N/A	40,078
Medical Assistance Program - OBRA - PASARR	93.778	N/A	44,207
AIDS Prevention Activities - Health Department Based	93.940	N/A	100,052
Block Grants for Community Mental Health Services - Expansion Family Resource Center	93.958	N/A	31,449
Block Grants for Community Mental Health Services - Wraparound Services	93.958	N/A	53,600
Block Grants for Community Mental Health Services - Recovery	93.958	N/A	18,000
Block Grants for Community Mental Health Services - Health and Wellness Education	93.958	N/A	5,000
Block Grants for Community Mental Health Services - Integrated Care Initiative	93.958	N/A	20,000
Block Grants for Community Mental Health Services - Clubhouse Relocation	93.958	N/A	50,760

Federal Grants Earned			Program Expenditures Incurred			Remaining Funds Available
Prior Year	Current Year	Total	Prior Year	Current Year	Total	
\$ -	\$ 4,783	\$ 4,783	\$ -	\$ 4,783	\$ 4,783	\$ 160
-	35,761	35,761	-	35,761	35,761	16,601
-	7,988	7,988	-	7,988	7,988	12
-	5,310	5,310	-	5,310	5,310	-
-	20,000	20,000	-	20,000	20,000	-
-	8,000	8,000	-	8,000	8,000	-
-	2,008	2,008	-	2,008	2,008	-
8,385,279	2,770,159	11,155,438	8,385,279	2,770,159	11,155,438	5,681,707
5,793,352	310	5,793,662	5,793,352	310	5,793,662	180,000
1,433,465	815,728	2,249,193	1,433,465	815,728	2,249,193	-
9,800	127,565	137,365	9,800	127,565	137,365	12,795
-	134,940	134,940	-	134,940	134,940	-
-	109,793	109,793	-	109,793	109,793	-
-	23,165	23,165	-	23,165	23,165	-
7,236,617	1,211,501	8,448,118	7,236,617	1,211,501	8,448,118	192,795
-	41,164	41,164	-	41,164	41,164	2,336
-	388,995	388,995	-	388,995	388,995	-
-	96,643	96,643	-	96,643	96,643	-
-	17,802	17,802	-	17,802	17,802	-
-	71,295	71,295	-	71,295	71,295	-
-	8,100	8,100	-	8,100	8,100	-
-	162,287	162,287	-	162,287	162,287	-
-	21,000	21,000	-	21,000	21,000	-
-	63,458	63,458	-	63,458	63,458	6,542
-	37,334	37,334	-	37,334	37,334	-
-	9,163	9,163	-	9,163	9,163	-
-	40,078	40,078	-	40,078	40,078	-
-	44,207	44,207	-	44,207	44,207	-
-	100,052	100,052	-	100,052	100,052	-
-	27,189	27,189	-	27,189	27,189	4,260
-	34,407	34,407	-	34,407	34,407	19,193
-	18,000	18,000	-	18,000	18,000	-
-	4,969	4,969	-	4,969	4,969	31
-	20,000	20,000	-	20,000	20,000	-
-	50,254	50,254	-	50,254	50,254	506

(continued)

COUNTY OF MUSKEGON, MICHIGAN
Schedule of Expenditures of Federal Awards (Concluded)
For the Year Ended September 30, 2009

Federal/Pass-through Grantor Program Title	CFDA Number	Pass-through Grantor Number	Federal Grants/Loans Awarded
U.S Department of Health and Human Services (Concluded)			
Passed through the Michigan Department of Community Health (Concluded):			
Block Grants for Community Mental Health Services - Anti-stigma Campaign	93.958	N/A	\$ 56,888
Block Grants for Community Mental Health Services - Supported Employment	93.958	N/A	17,226
Block Grants for Community Mental Health Services - Recovery Cooperative	93.958	N/A	48,000
Block Grants for Community Mental Health Services - Speakers Bureau	93.958	N/A	3,000
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	302,332
Sexually Transmitted Disease Control	93.997	N/A	35,465
Preventive Health and Health Services Block Grant - Sexually Transmitted Disease Control	93.991	N/A	35,464
Maternal and Child Health Services Block Grant to the States - CSHCS - Case Management	93.994	N/A	31,465
Maternal and Child Health Services Block Grant to the States - Case Management Services	93.994	N/A	158,016
Maternal and Child Health Services Block Grant to the States	93.994	N/A	7,800
Passed through the Michigan Department of Human Services:			
Child Support Enforcement Program - Child Support Incentive Payments	93.563	N/A	263,526
Child Support Enforcement Program - Prosecutor Cooperative (IV-D Incentive)	93.563	N/A	212,476
Child Support Enforcement Program (IV-D CRP Contract)	93.563	N/A	1,983,794
Passed through the Michigan Department of Energy, Labor and Economic Growth:			
Temporary Assistance for Needy Families, Workfirst	93.558	N/A	3,122,178
Passed through the Lakeshore Coordinating Council:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	102,469
Total U.S. Department of Health and Human Services			
U.S Department of Homeland Security			
Passed through the West Michigan Shoreline Regional Development Commission:			
Homeland Security Grant	97.067	N/A	265,286
Passed through the Department of Natural Resources:			
Boating Safety Financial Assistance	97.012	N/A	7,000
Total U.S. Department of Homeland Security			
Total Expenditures of Federal Awards			

Federal Grants Earned			Program Expenditures Incurred			Remaining Funds Available
Prior Year	Current Year	Total	Prior Year	Current Year	Total	
\$ -	\$ 56,228	\$ 56,228	\$ -	\$ 56,228	\$ 56,228	\$ 660
-	17,226	17,226	-	17,226	17,226	-
-	48,000	48,000	-	48,000	48,000	-
-	3,000	3,000	-	3,000	3,000	-
-	302,332	302,332	-	302,332	302,332	-
-	35,465	35,465	-	35,465	35,465	-
-	35,464	35,464	-	35,464	35,464	-
-	31,465	31,465	-	31,465	31,465	-
-	158,016	158,016	-	158,016	158,016	-
-	7,800	7,800	-	7,800	7,800	-
-	263,526	263,526	-	263,526	263,526	-
-	201,232	201,232	-	201,232	201,232	11,244
-	1,824,110	1,824,110	-	1,824,110	1,824,110	159,684
-	3,077,178	3,077,178	-	3,077,178	3,077,178	45,000
-	102,469	102,469	-	102,469	102,469	-
-	7,419,908	7,419,908	-	7,419,908	7,419,908	249,456
-	143,972	143,972	-	143,972	143,972	121,314
-	7,000	7,000	-	7,000	7,000	-
-	150,972	150,972	-	150,972	150,972	121,314
\$ 21,635,244	\$ 21,775,644	\$ 43,410,888	\$ 21,635,244	\$ 21,775,644	\$ 43,410,888	\$ 9,030,320

(concluded)

COUNTY OF MUSKEGON, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

1. BASIS OF PRESENTATION

The Schedule of Expenditures of Federal Awards utilizes the same basis of accounting as the financial statements. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*.

2. SUBRECIPIENTS

For the year ended September 30, 2009, the County passed-through certain federal awards to other entities. Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the County provided federal awards to subrecipients as follows:

Program Name	CFDA Number	Amount Provided to Subrecipients
Edward Byrne Memorial Formula Grant	16.579	\$ 17,664
Employment Service/Wagner Peysner	17.207	260,031
WIA Adult – Service Center Operations	17.258	55,824
WIA Adult – TANF Replacement Funds Statewide	17.258	268,846
WIA Adult – Adult	17.258	427,764
WIA Youth Activities	17.259	562,297
WIA Dislocated Worker	17.260	767,037
WIA Pilots, Demonstrations & Research Projects	17.261	11,564
Block Grants for Prevention and Treatment of Substance Abuse	93.959	102,469
Total		\$ 2,473,496

3. OTHER FEDERAL GRANTS EXPENDED

The County also expended federal funds that were passed-through and administered by the Michigan Department of Transportation (MDOT). These pass-through monies, which will be included in the State of Michigan's single audit, are as follows:

Program Name	CFDA Number	Contract Number	Amount Expended
Airport Improvement Program	20.106	3-26-0601-2705	\$ 745,729
Airport Improvement Program	20.106	3-26-0601-2707	3,861,947
Airport Improvement Program	20.106	3-26-0601-2708	3,030,433
Airport Improvement Program	20.106	3-26-0601-3009	114,532
Total			\$ 7,752,641

COUNTY OF MUSKEGON, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2009

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ report issued:	<i>Unqualified</i>		
Internal controls over financial reporting:			
Material weakness(es) identified?	<u> X </u>	yes	<u> </u> no
Significant deficiency(s) identified not considered to be material weaknesses?	<u> </u>	yes	<u> X </u> none reported
Noncompliance material to financial statements noted?	<u> </u>	yes	<u> X </u> no

Federal Awards

Internal Control over major programs:			
Material weakness(es) identified?	<u> </u>	yes	<u> X </u> no
Significant deficiency(s) identified not considered to be material weaknesses?	<u> X </u>	yes	<u> </u> none reported

Type of auditors’ report issued on compliance for major programs: *Unqualified*

Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	<u> X </u>	yes	<u> </u> no
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Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
17.258/17.259/17.260	Workforce Investment Act (WIA) Cluster
20.507	Federal Transit Formula Grants
Dollar threshold used to distinguish between Type A and Type B programs:	<u> \$ 617,619 </u>
Auditee qualified as low-risk auditee?	<u> X </u> yes <u> </u> no

COUNTY OF MUSKEGON, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2009

SECTION II – FINANCIAL STATEMENT FINDINGS

2009-1 – Material Audit Adjustments

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:** During our audit, we identified material adjustments, which were approved by management, to adjust the accrual for landfill closure costs and record additional capital assets in the Airport fund.
- Cause:** This condition was the result of an oversight by management in recording adjustments which are only done annually for external financial reporting purposes.
- Effect:** As a result of this condition, the County's accounting records were initially misstated by amounts material to the financial statements.
- Recommendation:** Management has already reviewed and approved the proposed adjustment, and their effect is included in the financial statements. No further action is required at this time.
- View of Responsible Officials:** Management agrees with the finding and as stated by the auditors, correction has been made. The accrual for landfill closure was a misinterpretation of data received and the Airport amount was due to not receiving timely information from the State. Both will be addressed before the end of the next audit period.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2009-2 – Internal Controls over Suspension and Debarment of Vendors

Immaterial Noncompliance / Significant Deficiency in Internal Controls over Compliance Procurement, Suspension and Debarment

CFDA 17.258/17.259/17.260 - U.S. Department of Labor – Workforce Investment Act Cluster (WIA)

- Criteria:** A recipient of federal awards is required to determine that vendors being paid with federal funds are not suspended or debarred from doing business with the government. Such procedures are required whenever the amount disbursed to a single vendor is expected to be at least \$25,000.
- Condition:** The County has contracts with certain vendors to provide job experience for eligible individuals. The contracts in place for the year under audit did not include language regarding suspension and debarment. In addition, the County had no other control in place at that time to determine whether a vendor was suspended or debarred.

COUNTY OF MUSKEGON, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2009

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2009-2 – Internal Controls over Suspension and Debarment of Vendors (Concluded)

Cause: The condition was caused by an oversight in executing the contracts with certain vendors.

Effect: As a result of this condition, the County was exposed to the risk that disbursements of federal awards would be made to vendors suspended or debarred by the government.

Questioned Costs: No costs are required to be questioned as a result of this finding as none of the vendors involved were actually suspended or debarred.

Recommendation: The County had already noted the missing language in the contracts prior to our audit inquiries and is working with its attorney to revise the applicable contracts. We recommend that the County execute revised or amended contracts as soon as possible, and review any other outstanding contracts for similar omissions.

View of Responsible Officials: Management found the omissions and is actively working to assure that all required language in department issued contracts has been provided before the contract is signed.

**2009-3 – Internal Controls over Preparation and Submission of Reports
Immaterial Noncompliance / Significant Deficiency in Internal Controls over Compliance Reporting**

CFDA 17.258/17.259/17.260 - U.S. Department of Labor – Workforce Investment Act Cluster (WIA)

Criteria: Recipients of federal awards are required to submit timely and accurate reports to the awarding agency in accordance with federal compliance requirements and/or pass-through agency grant agreements.

Condition: The County did not submit a report for the quarter ended September 30, 2009 for its WIA administrative award. Completion of this report was a requirement of the Michigan Department of Energy, Labor, and Economic Growth as the pass-through agency.

Cause: This condition was caused by an oversight due to management turnover in the County department administering this grant.

Effect: As a result of this condition, the County did not fully comply with certain requirements of this grant.

COUNTY OF MUSKEGON, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

FOR THE YEAR ENDED SEPTEMBER 30, 2009

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)

2009-3 – Internal Controls over Preparation and Submission of Reports (Concluded)

Questioned Costs: No costs were required to be questioned as a result of this finding, inasmuch as the expenditures of this award for the period from July 1, 2009 to September 30, 2009 were included in the cumulative report dated December 31, 2009.

Recommendation: We recommend that County implement a control to ensure that all necessary reports have been completed and submitted by the due date.

View of Responsible Officials: Management has developed a “check off” sheet to monitor grant report submissions to assure that no report is missed in the future.

**2009-4 – Identification of CFDA Number to Subrecipients
Immaterial Noncompliance – Subrecipient Monitoring**

**CFDA 17.258/17.259/17.260 - U.S. Department of Labor – Workforce Investment Act
Cluster (WIA)**

Criteria: Entities passing through federal funding to subrecipients are required to comply with certain requirements as published in OMB Circular A-133. Among these requirements is the need to identify to each subrecipient the CFDA number of the award and the federal agency providing the funding.

Condition: The County’s agreements with its subrecipients for this program did not communicate the information described above.

Cause: This condition was caused by a management oversight in executing the contracts and communicating the required information.

Effect: As a result of this condition, the County did not fully comply with certain requirements of this grant.

Questioned Costs: No costs were required to be questioned as a result of this finding.

Recommendation: We recommend that the Agency amend its contracts with any subrecipients to include the required language.

View of Responsible Officials: CFDA numbers are now being provided to all subrecipients at the very top of each contract and the number has been bolded to assure that it is readily visible.

COUNTY OF MUSKEGON, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTED COSTS (CONCLUDED)

FOR THE YEAR ENDED SEPTEMBER 30, 2009

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2008-1 Timesheet Processing and Review

This finding was corrected.

2008-2 Allocation of Co-funded Salaries Expense (Allowable Costs/Cost Principles)

This finding was corrected.

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