

**COUNTY OF MUSKEGON,
MICHIGAN**

SINGLE AUDIT ACT COMPLIANCE

**FOR THE YEAR ENDED
SEPTEMBER 30, 2010**

COUNTY OF MUSKEGON, MICHIGAN

SINGLE AUDIT ACT COMPLIANCE

TABLE OF CONTENTS For the Year Ended September 30, 2010

	<u>PAGE</u>
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards	1
Schedule of Expenditures of Federal Awards	2-5
Notes to Schedule of Expenditures of Federal Awards	6-7
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 <i>Government Auditing Standards</i>	8-9
Independent Auditors' Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	10-11
Schedule of Findings and Questioned Costs	12-19

**INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE
OF EXPENDITURES OF FEDERAL AWARDS**

January 18, 2011

Board of Commissioners
County of Muskegon, Michigan
Muskegon, Michigan

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the *County of Muskegon, Michigan*, as of and for the year ended September 30, 2010, which collectively comprise the basic financial statements, and have issued our report thereon dated January 18, 2011. 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 opinions on the financial statements that collectively comprise the County of Muskegon, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, 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 basic financial statements taken as a whole.



COUNTY OF MUSKEGON, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal/Pass-through Grantor Program Title	CFDA Number	Pass-through Grantor Number	Federal Expenditures
U.S. Department of Agriculture			
Direct Programs:			
National School Breakfast Program	10.553	N/A	\$ 11,285
National School Lunch Program	10.555	N/A	17,321
ARRA - Child Nutrition Discretionary Grant	10.579	02-1995	8,884
Passed through Michigan Department of Comm. Health:			
Special Supplemental Food Program for Women, Infants and Children WIC	10.557	N/A	1,112,256
Passed through Michigan Department of Labor and Economic Growth:			
Food Assistance Employment and Training	10.561	N/A	<u>12,468</u>
Total U.S. Department of Agriculture			<u>1,162,214</u>
U.S. Department of Housing and Urban Development			
Direct Programs:			
HUD Supportive Housing	14.235	N/A	92,949
HUD Supportive Housing #2	14.235	N/A	17,544
HUD Supportive Housing #2	14.235	N/A	966
HUD Supportive Housing #2	14.235	N/A	16,498
Passed through the Mich. State Housing Development Authority:			
CDBG Housing	14.228	MSC 2008-0787-HOA	128,437
Passed through the Mich. Economic Development Corporation:			
Western Ave Redevelopment	14.228	MSC-204071-EDIG	<u>217,123</u>
Total U.S. Department of Housing and Urban Development			<u>473,517</u>
U.S. Department of Justice			
Direct Programs:			
Office of Justice Programs	16.606	2009-AP-BX-0479 SCAAP	6,126
Community Gun Violence	16.609	2008-GP-CX-0036	1,754
Jail Screening and Assessment	16.753	N/A	65,575
ARRA - Edward Byrne Memorial Justice Assistance	16.804	2009-SB-B9-1824	198,021
ARRA - Edward Byrne Memorial Competitive Grant	16.808	2009-SC-B9-0047	178,847
Passed through Michigan Dept. of Management and Budget:			
VOCA Grant	16.575	20484-13V08	67,036
Passed through Michigan State Police:			
Edward Byrne Tech Grant	16.738	72363-1-10-B	14,400
Passed through the Department of Community Health:			
Ottawa County	16.738	2010-70834	<u>38,238</u>
Total U.S. Department of Justice			<u>569,997</u>

(continued)

See accompanying notes to the schedule of expenditures of federal awards.

COUNTY OF MUSKEGON, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal/Pass-through Grantor Program Title	CFDA Number	Pass-through Grantor Number	Federal Expenditures
U.S. Department of Labor			
Passed through Michigan Department of Labor and Economic Growth:			
Employment Service Cluster:			
Labor exchange	17.207	N/A	\$ 360,772
Wagner Peysen	17.207	N/A	3,785
ARRA - Employment Services	17.207	N/A	6,077
ARRA - Reemployment	17.207	N/A	234,210
ARRA - Wagner Peysen RCAR	17.207	N/A	86,474
TAA/NAFTA	17.245	N/A	2,586,531
Workforce Investment Cluster (WIA):			
WIA, WIA Administration	17.258	N/A	86,094
WIA, WIA Adult	17.258	N/A	917,819
WIA Youth Statewide	17.258	N/A	1,471
WIA Service Center Operations	17.258	N/A	21,472
WIA TANF Repl Statewide	17.258	N/A	70,961
ARRA - WIA Statewide Activities	17.258	N/A	43,295
WIA Statewide Activities	17.258	N/A	5,591
ARRA - WIA Adult	17.258	N/A	280,009
ARRA - Administration	17.258	N/A	63,048
ARRA - WIA Statewide Activities	17.258	N/A	156,308
ARRA - Summer Youth	17.259	N/A	183,271
WIA, WIA Administration	17.259	N/A	92,216
WIA, WIA Youth	17.259	N/A	873,712
WIA Youth Statewide	17.259	N/A	1,575
WIA Service Center Operations	17.259	N/A	22,998
WIA TANF Repl Statewide	17.259	N/A	76,007
ARRA - WIA Statewide Activities	17.259	N/A	46,374
WIA Statewide Activities	17.259	N/A	5,988
ARRA - Administration	17.259	N/A	67,531
ARRA - WIA Statewide Activities	17.259	N/A	167,423
WIA, WIA Administration	17.260	N/A	120,317
WIA, WIA Dislocated Worker	17.260	N/A	1,025,801
WIA Youth Statewide	17.260	N/A	2,056
WIA Service Center Operations	17.260	N/A	30,007
WIA Rapid Response Incumbent Worker	17.260	N/A	83,485
WIA TANF Repl Statewide	17.260	N/A	99,169
ARRA - WIA Statewide Activities	17.260	N/A	60,506
WIA Statewide Activities	17.260	N/A	7,813
WIA-NEG	17.260	N/A	2,460,567
ARRA - WIA Dislocated Worker	17.260	N/A	490,242
ARRA - Administration	17.260	N/A	88,110

(continued)

See accompanying notes to the schedule of expenditures of federal awards.

COUNTY OF MUSKEGON, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal/Pass-through Grantor Program Title	CFDA Number	Pass-through Grantor Number	Federal Expenditures
U.S. Department of Labor (continued)			
ARRA - Wagner Peyser ECAR	17.260	N/A	\$ 791
ARRA - WIA Statewide Activities	17.260	N/A	218,442
WIA Pilots, Demonstrations, and Research Projects - WIRED	17.261	N/A	<u>195</u>
Total U.S. Department of Labor			<u>11,148,513</u>
U.S. Department of Transportation			
Direct Programs:			
Federal Transit - Formula Grants	20.507	MI-90-0365	112,321
Federal Transit - Formula Grants	20.507	MI-90-X443	13,119
Federal Transit - Formula Grants	20.507	MI-90-X497	52,263
Federal Transit - Formula Grants	20.507	MI-90-X558	20,865
Federal Transit - Formula Grants	20.507	MI-90-X581	62,853
Federal Transit - Formula Grants	20.507	MI-90-X596	874,073
Federal Transit - Formula Grants	20.507	MI-95-0043	132,534
ARRA - Federal Transit - Formula Grants	20.507	MI-96-0010	300,000
Passed through Michigan Department of Highway Safety:			
MACP Award	20.600	PT-10-33	6,000
Safe Communities	20.600	PT-10-28	21,118
Safe Communities	20.601	PT-10-28	45,834
Safe Communities	20.602	PT-10-28	4,000
Passed through Michigan Dept. of Transportation:			
Hazardous Material Emergency Preparedness Planning	20.703	N/A	<u>5,787</u>
Total U.S. Department of Transportation			<u>1,650,767</u>
U.S. Department of Environmental Protection Agency			
Passed through the Mich. Department of Environmental Quality:			
ARRA - Sullivan/Laketon Stations	66.458	5377-02	843,287
Capacity Development	66.468	N/A	450
Operator Certification	66.471	N/A	438
Great Lakes Beach Water Monitoring	66.472	N/A	<u>10,192</u>
Total U.S. Department of Environmental Protection Agency			<u>854,367</u>
U.S. Department of Energy			
Passed through Michigan Department of Labor and Economic Growth:			
ARRA - Energy Efficiency and Conservation	81.128	BES-10-123	<u>282,239</u>
Total U.S. Department of Energy			<u>282,239</u>

(continued)

See accompanying notes to the schedule of expenditures of federal awards.

COUNTY OF MUSKEGON, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

Federal/Pass-through Grantor Program Title	CFDA Number	Pass-through Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services			
Direct Programs:			
ARRA - Strengthening Communities	93.711	90SN0040	\$ 86,831
Passed through Michigan Department of Community Health:			
Emergency Preparedness	93.069	N/A	161,340
Pandemic Flu	93.069	N/A	343,844
Homeless Project	93.150	N/A	38,889
Immunization Cluster	93.268	N/A	941,676
Immunization Cluster	93.268	N/A	89,289
Breast and Cerv Cancer Scrn-Coordination	93.283	N/A	79,275
Cancer-Family Planning coordination	93.283	N/A	7,500
ARRA - Immunization Cluster	93.712	N/A	15,510
Medicaid Outreach	93.778	N/A	13,629
OBRA-PASARR	93.778	N/A	36,283
CSHCS - Case Management	93.778	N/A	71,819
ARRA - Tobacco prevention	93.940	N/A	9,040
AIDS Prevention	93.940	N/A	100,052
Expanded Testing AIDS	93.940	N/A	2,580
Wraparound Services	93.958	N/A	55,828
Integrated Care Initiative	93.958	N/A	5,000
PTMO	93.958	N/A	27,992
Substance Abuse Prevention	93.959	N/A	105,921
Std Control	93.991	N/A	70,179
IAP Fee for service	93.994	N/A	13,770
Childhood Lead	93.994	N/A	44,333
CSHCS - Case Management	93.994	N/A	33,788
Maternal Child Care	93.994	N/A	156,136
Passed through Michigan Department of Labor and Economic Growth:			
TANF, Workfirst	93.558	N/A	2,420,855
Passed through Michigan Department of Human Services:			
Child support Incentive Payments	93.563	N/A	262,668
Prosecutor Cooperative (IV-D Incentive)	93.563	N/A	213,468
Child Support Enforcement Program (IV-D CRP Contract)	93.563	N/A	1,711,947
Passed through Lakeshore Coordinating Council:			
Substance Abuse Prevention	93.959	N/A	<u>272,758</u>
Total U.S. Department of Health and Human Services			<u>7,392,200</u>
U.S. Department of Homeland Security			
Passed through West Michigan Shoreline Regional Development Commission:			
Homeland Security Grant	97.067	N/A	<u>317,558</u>
Total U.S. Department of Homeland Security			<u>317,558</u>
Total Expenditures of Federal Awards			<u>\$ 23,851,372</u>

See accompanying notes to the schedule of expenditures of federal awards.

COUNTY OF MUSKEGON, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the County of Muskegon, Michigan (the "County"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on the Schedule.

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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting, which is described in Note 1 of the County's financial statements.

3. SUBRECIPIENTS

For the year ended September 30, 2010, 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:

<u>Program Name</u>	<u>CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
Community Development Block Grant	14.228	\$ 217,123
Edward Byrne Memorial Justice Assistance Grant	16.738	38,238
Recovery Act – Edward Byrne Memorial Justice Assistance Grant	16.804	167,794
Recovery Act – Edward Byrne Memorial Competitive Grant	16.808	88,936
Employment Service Cluster	17.207	490,451
WIA Cluster	17.258- 17.260	3,001,943
Block Grants for Prevention and Treatment of Substance Abuse	93.959	<u>272,758</u>
Total		<u>\$ 4,277,243</u>

COUNTY OF MUSKEGON, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

4. 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:

<u>Program Name</u>	<u>CFDA Number</u>	<u>Project ID No.</u>	<u>Amount Expended</u>
Airport Improvement Program	20.106	3-26-0071-2807	\$ 9,025
Airport Improvement Program	20.106	3-26-0071-3109	666,966
Airport Improvement Program	20.106	3-26-0071-3209	753,330
Airport Improvement Program	20.106	3-26-0071-3009	96,795
Total			<u>\$ 1,526,116</u>

* * * * *

**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 18, 2011

Board of Commissioners
County of Muskegon, Michigan
Muskegon, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, 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, 2010, which collectively comprise the basic financial statements, and have issued our report thereon dated January 18, 2011. 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's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2010-1 to be a material weakness.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 in a separate letter dated January 18, 2011.

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

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, 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 style with a large, prominent 'L' and 'J'.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

April 11, 2011

Board of Commissioners
County of Muskegon, Michigan
Muskegon, Michigan

Compliance

We have audited the compliance of the *County of Muskegon, Michigan* (the "County") with the types of compliance requirements described in the *U.S. Office of Management and Budget ("OMB") Circular A-133 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, 2010. The County'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's management. Our responsibility is to express an opinion on the County'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'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 opinions. Our audit does not provide a legal determination on the County's compliance with those requirements.

In our opinion, the County complied, in all material respects, with the 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, 2010. However, the result 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 2010-2 through 2010-8.

Internal Control Over Compliance

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

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2010-2 through 2010-8. 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.

The County'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's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the entity, 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 FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

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(ies) identified?	<u> </u> yes	<u> X </u> none reported	
Noncompliance material to financial statements noted?	<u> </u> yes	<u> X </u> no	

Federal Awards

Internal controls over major programs:			
Material weakness(es) identified?	<u> </u> yes	<u> X </u> no	
Significant deficiency(ies) identified?	<u> X </u> yes	<u> </u> none reported	
Type of auditors’ report issued on compliance for major programs:	<i>Unqualified</i>		
Any audit findings disclosed that are required to be reported in accordance with Circular A-133, Section 510(a)?	<u> </u> yes	<u> X </u> no	

Identification of Major Programs

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
16.804	Recovery Act – Edward Byrne Memorial Justice Assistance
16.808	Recovery Act – Edward Byrne Memorial Competitive Grant
17.207	Employment Service Cluster
17.245	Trade Adjustment Assistance
17.258/17.259/17.260	Workforce Investment Act (WIA) Cluster

COUNTY OF MUSKEGON, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010

SECTION I – SUMMARY OF AUDITORS’ RESULTS (CONTINUED)

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
20.507	Federal Transit Formula Grants
66.458	Capitalization Grants for Clean Water State Revolving Funds
93.268/93.712	Immunization Cluster
93.563	Child Support Enforcement
Dollar threshold used to distinguish between Type A and Type B programs: <u>\$ 690,243</u>	
Auditee qualified as low-risk auditee?	<u> </u> yes <u> X </u> no

SECTION II – FINANCIAL STATEMENT FINDINGS

2010-1 – 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 a material adjustment, which was approved by management, to adjust the accrual/expenditure for estimated postclosure costs in the Fly Ash 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 its 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. It will be addressed before the end of the next audit period.

COUNTY OF MUSKEGON, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTED COSTS (CONCLUDED)

FOR THE YEAR ENDED SEPTEMBER 30, 2010

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2010-2 – Immaterial Noncompliance / Significant Deficiency in Internal Controls over Compliance – Allowable Costs / Cost Principles Review and Approval of Employee Time Sheets CFDA 93.563 – U.S. Department of Health and Human Services – Child Support Enforcement

- Criteria:** According to OMB Circular A-87, in order to be allowable, costs must “be consistent with policies, regulations and procedures that apply uniformly to both Federal awards and other activities of the governmental unit.” With respect to payroll, the County’s internal policies require all employee timesheets to be reviewed and approved by the employee’s supervisor prior to payment.
- Condition:** In connection with our testing of these programs, we selected thirty-seven employee timesheets. Of those, three did not bear evidence of direct supervisor review and approval as required by County policies and procedures.
- Cause:** The condition was caused by an oversight in the supervisors’ review of timesheets by not signing off the timesheet.
- Effect:** As a result of this condition, the internal controls over employee timesheets were not applied consistently to all items of cost, and the County was exposed to an increased risk that errors could exist and not be detected and corrected on a timely basis.
- Questioned Costs:** The three payroll transactions identified in our sample as lacking supervisory review and approval amounted to \$2,669.
- Recommendation:** We recommend that the County enforce its existing policy and require all employee timesheets to be signed by the employee’s direct supervisor prior to payment.
- View of Responsible Officials:** This issue has been resolved and management does not expect any future un-signed timesheets. The employees have all been notified of the importance of having their supervisor approve their timesheet and it is clear that timesheets will not be processed until signatures are present.

2010-3 – Internal Controls over Maintaining Adequate Records of Participants Immaterial Noncompliance / Significant Deficiency in Internal Controls over Compliance – Eligibility CFDA 17.245 – U.S. Department of Labor – Trade Adjustment Assistance

- Criteria:** According to OMB Circular A-133, grant recipients are required to determine each individual, group of individuals, or subrecipient’s eligibility before being allowed into the program or provided funding.
- Condition:** During testing of forty individuals, one participant’s file could not be located.
- Cause:** This condition was caused by the move of the provider and one of the files was inadvertently misplaced.

COUNTY OF MUSKEGON, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTED COSTS (CONCLUDED)

FOR THE YEAR ENDED SEPTEMBER 30, 2010

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

2010-3 – Internal Controls over Maintaining Adequate Records of Participants (Concluded)

- Effect:** As a result of this condition, the internal controls over participant eligibility were not applied consistently to all participants, and the County was exposed to an increased risk that errors could exist and not be detected and corrected on a timely basis.
- Questioned Costs:** No costs were required to be questioned as a result of this finding, as much of the information for the file was able to be reproduced and the participant re-signed the registration form.
- Recommendation:** We recommend that the County implement controls to ensure that all participant eligibility files are monitored for risk of misplacement.
- View of Responsible Officials:** The issue has been resolved and management does not expect any future misplacements of participants' files. The employees and subrecipients have all been notified of the importance of keeping all participant files intact.

2010-4 – Identification of CFDA Number to Subrecipients and Notifying Subrecipients of Federal Compliance Requirements Immaterial Noncompliance / Significant Deficiency in Internal Controls over Compliance – Subrecipient Monitoring CFDA 16.804 – U.S. Department of Justice – Recovery Act – Edward Byrne Justice Assistance Grant CFDA 16.808 – U.S. Department of Justice – Recovery Act – Edward Byrne Memorial Competitive Grant

- 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, in addition to notifying the subrecipient that if they expend \$500,000 or more in Federal awards during the subrecipient's fiscal year, a single audit is required under OMB Circular A-133.
- Condition:** The County's agreements with its subrecipients for these programs 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 County amend its contracts with any subrecipients to include the required language.
- View of Responsible Officials:** The County is in agreement with the finding and it is being resolved through the revision of the contracts to ensure that the CFDA numbers are on them.

COUNTY OF MUSKEGON, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTED COSTS (CONCLUDED)

FOR THE YEAR ENDED SEPTEMBER 30, 2010

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

2010-5 – Separate Trust Fund

Immaterial Noncompliance / Significant Deficiency in Internal Controls over Compliance – Cash Management

CFDA 16.804 – U.S. Department of Justice – Recovery Act – Edward Byrne Memorial Justice Assistance Grant (“JAG”) Program Cluster (WIA)

Criteria:	According to the grant agreement, “The recipient is required to establish a trust fund account. The trust fund may or may not be an interest-bearing account. The funds, including any interest earned, may not be used to pay debts or expenses incurred by other activities beyond the scope of either the Edward Byrne Memorial JAG program or the Recovery JAG Program.”
Condition:	Recipients are required to establish a trust fund account to deposit Recovery Act - JAG funds prior to expending them. The County did not establish a separate bank account, but deposited the funds in a pooled account.
Cause:	This condition appears to be the result of management’s lack of understanding of the specific grant requirements added for Recovery Act funds.
Effect:	The County did not comply with the above grant requirements.
Questioned Costs:	No costs were required to be questioned as a result of this finding.
Recommendation:	We recommend that the County establish a separate trust fund account in order to comply with the requirements of the grant.
View of Responsible Officials:	The finding was the result of a difference of interpretation by management of what the “separate trust” requirement meant. The County interpreted it to mean that as long as the grant was set up in a separate fund on its financial system, the requirement was fulfilled. The County is in the process of setting up a separate trust fund bank account to meet this requirement.

COUNTY OF MUSKEGON, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTED COSTS (CONCLUDED)

FOR THE YEAR ENDED SEPTEMBER 30, 2010

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

2010-6 – Internal Controls over Preparation and Submission of Reports

Immaterial Noncompliance / Significant Deficiency in Internal Controls over Compliance Reporting

CFDA 16.804 – U.S. Department of Justice – Recovery Act – Edward Byrne Memorial Justice Assistance Grant

CFDA 16.808 – U.S. Department of Justice – Recovery Act – Edward Byrne Memorial Competitive Grant

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 within the required timeframe for the quarter ended September 30, 2010 for all of its WIA awards, its Recovery Act – Edward Byrne Memorial Competitive Grant, and its Recovery Act – Edward Byrne Memorial Justice Assistance Grant.
- Cause:** This condition was caused by an oversight in the County departments administering these grants, as well as employee turnover within the departments
- Effect:** As a result of this condition, the County did not fully comply with certain requirements of these grants.
- Questioned Costs:** No costs were required to be questioned as a result of this finding, as reports were submitted within three days of the reporting deadline. In addition, for the WIA grants, the Department of Labor was notified in advance that the reporting would be late.
- Recommendation:** We recommend that the County implement controls to ensure that all necessary reports have been completed and submitted by the due date.
- View of Responsible Officials:** The County has noted this issue and is taking appropriate internal measures to ensure that all grant reporting is done in a timely manner.

COUNTY OF MUSKEGON, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTED COSTS (CONCLUDED)

FOR THE YEAR ENDED SEPTEMBER 30, 2010

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

2010-7 – Internal Controls over Subrecipient Monitoring

Immaterial Noncompliance / Significant Deficiency in Internal Controls over Compliance –Subrecipient Monitoring

CFDA 17.207 – U.S. Department of Labor – Employment Service Cluster

- Criteria:** A pass-through entity is responsible for monitoring the subrecipient’s use of Federal awards through reporting, site visits, regular contact, or other means to provide reasonable assurance that the subrecipient administers Federal awards in compliance with laws, regulations, and the provisions of contracts or grant agreements and those performance goals are achieved.
- Condition:** Subrecipient monitoring did not occur during the fiscal year.
- Cause:** This condition was caused by an oversight in the County department administering this grant.
- Effect:** As a result of this condition, the County did not fully comply with certain requirements of these grants.
- Questioned Costs:** No costs have been questioned as a result of this finding since no actual disallowed costs were identified.
- Recommendation:** We recommend that the County implement controls to ensure that all necessary monitoring reports have been completed as required.
- View of Responsible Officials:** The County is in agreement with this finding and has taken steps to ensure that subrecipient monitoring occurs during the fiscal year. Specifically, monitoring of Employment Services was scheduled to be conducted in March 2011.

COUNTY OF MUSKEGON, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTED COSTS (CONCLUDED)

FOR THE YEAR ENDED SEPTEMBER 30, 2010

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

2010-8 – Internal Controls over Cash Management

Immaterial Noncompliance / Significant Deficiency in Internal Controls over Compliance – Cash Management

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

- Criteria:** According to OMB Circular A-133, when entities are funded on a reimbursement basis, program costs must be paid for by entity funds before reimbursement is requested from the Federal Government.
- Condition:** Funds were drawn down twice for the same series of expenditures for one of the grants.
- Cause:** This condition was caused by an oversight in the County department administering this grant. Expenditures were moved between applicable grants; however, funds were not reimbursed to the Federal Government from the grant from which the funds were moved.
- Effect:** As a result of this condition, the County did not fully comply with certain requirements of these grants.
- Questioned Costs:** No costs have been questioned as a result of this finding since all draws were eventually used for allowable purposes.
- Recommendation:** We recommend that the County implement controls to ensure that funds are drawn down in accordance with the cash management requirements, and that all draw downs be reviewed prior to the request being made.
- View of Responsible Officials:** The County is in agreement with this finding and has implemented procedures to ensure that funds are not drawn down in excess of disbursements paid out.

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

2009-2 Suspension and Debarment of Vendors

This finding was corrected.

2009-3 Preparation and Submission of Reports

This finding was not completely corrected – see 2010-6.

2009-4 Identification of CFDA Number to Subrecipients

This finding was corrected for this program; however see 2010-4 for a similar finding in another federal program.

* * * * *