

County of
Muskegon,
Michigan



Year Ended
September 30,
2013

Single Audit Act
Compliance

COUNTY OF MUSKEGON, MICHIGAN

Table of Contents

	<u>Page</u>
Independent Auditors' Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133	1
Schedule of Expenditures of Federal Awards	2
Notes to Schedule of Expenditures of Federal Awards	6
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>	9
Independent Auditors' Report on Compliance for Each Major Federal Program and on Internal Control over Compliance Required by OMB Circular A-133	11
Schedule of Findings and Questioned Costs	13
Summary Schedule of Prior Audit Findings	16



INDEPENDENT AUDITORS' REPORT ON THE
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY OMB CIRCULAR A-133

March 27, 2014

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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 27, 2014, 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 OMB Circular A-133 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.

A handwritten signature in black ink that reads "Rehmann Lohman LLC".

COUNTY OF MUSKEGON, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. DEPARTMENT OF AGRICULTURE				
Child Nutrition Cluster:				
National School Breakfast Program	10.553	MDE	121970 / 131970	\$ 9,772
National School Lunch Program	10.555	MDE	121960 / 131960	18,114
				<u>27,886</u>
U.S. Forest Service Law Enforcement Cooperative Agreement	10.unk	Direct	11-LE-11090400-017	<u>2,340</u>
Special Supplemental Nutrition Program for Women, Infants, & Children (WIC):				
WIC Program-Breastfeeding	10.557	MDCH	W500342	14,611
WIC Program-Breastfeeding	10.557	MDCH	IW100342	42,826
WIC Program-Resident Services	10.557	MDCH	IW100342	1,108,085
				<u>1,165,522</u>
Supplemental Nutrition Assistance Program (SNAP)	10.561	MDCH	2MI420132	<u>1,279</u>
			Total U.S. Department of Agriculture	<u>1,197,027</u>
U.S. DEPARTMENT OF COMMERCE				
NOAA Habitat Conservation Program	11.463	CNM	NA11NOS4630176	<u>96,915</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Neighborhood Stabilization Program 3	14.218	Direct	B-11-UN-26-0008	<u>390,447</u>
Community Development Block Grant (CDBG):				
Housing Rehabilitation Program	14.228	Direct	MSC-2011-0787-HOA	<u>296,572</u>
Supportive Housing Program:				
HUD Supportive Housing Grant #1	14.235	Direct	MI0253L5F161205	102,403
HUD Supportive Housing Grant #2	14.235	Direct	MI0254L5F161205	16,404
HUD Supportive Housing Grant #3	14.235	Direct	MI0250L5F161202	20,485
HUD Supportive Housing Grant #4	14.235	Direct	MI0324L5F161202	20,929
				<u>160,221</u>
Lead-Based Paint Hazard Control Program	14.900	Direct	MILHB0505-11	<u>376,606</u>
Healthy Homes Production Program	14.913	Direct	-n/a-	<u>16,769</u>
			Total U.S. Department of Housing and Urban Development	<u>1,240,615</u>
U.S. DEPARTMENT OF THE INTERIOR				
Payments in Lieu of Taxes	15.226	Direct	-n/a-	<u>26,315</u>
U.S. DEPARTMENT OF JUSTICE				
Crime Victim Assistance	16.575	MDCH	20484-16V12	<u>44,754</u>
State Criminal Alien Assistance Program (SCAAP)	16.606	Direct	2013-AP-BX-0237	<u>4,387</u>
Bulletproof Vest Partnership Program	16.607	Direct	1121-0235	<u>1,053</u>
Project Safe Neighborhoods	16.609	GVSU	2011-GP-BX-0038	<u>20,400</u>

continued...

COUNTY OF MUSKEGON, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. DEPARTMENT OF JUSTICE (CONTINUED)				
JAG Program Cluster:				
West Michigan Enforcement Team (WEMET) Ottawa County	16.738	CO	2011-DJ-BX-2240	\$ 21,585
Edward Byrne Memorial Justice Assistance Grant	16.738	SCAO	SCAO-2013-076	30,000
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.803	MSP	60019-1-13-B	37,638
ARRA - Edward Byrne Memorial Justice Assistance Grant	16.804	Direct	2009-SB-B9-1824	21,403
				<u>110,626</u>
			Total U.S. Department of Justice	<u>181,220</u>
U.S. DEPARTMENT OF LABOR				
Employment Service/Wagner Peyser 7(a) Program - PY-11	17.207	WDA	ES224371155A26	9,049
Employment Service/Wagner Peyser 7(a) Program - PY-12	17.207	WDA	ES22694KF	336,319
				<u>345,368</u>
Reemployment Services Emergency Unemployment Compensation (EUC)	17.225	WDA	ES224371155A26	<u>159,713</u>
Trade Adjustment Assistance -2002	17.245	WDA	-n/a-	22,577
Trade Adjustment Assistance - 2009/2011	17.245	WDA	-n/a-	410,924
Trade Adjustment Assistance - Employer Based Training	17.245	WDA	-n/a-	27,500
Trade Adjustment Assistance - Survey Equipment	17.245	WDA	-n/a-	11,225
				<u>472,226</u>
Workforce Investment Act (WIA) Cluster:				
WIA Adult AY-11	17.258	WDA	AA214021155A26	47,957
WIA Adult AY-12	17.258	WDA	AA229421255A26	353,884
WIA Performance Incentive	17.258/.259/.278	WDA	AA229421255A26	1,693
WIA Local Administration AY-11	17.258/.259/.278	WDA	AA214021155A26	90,335
WIA Local Administration AY-12	17.258/.259/.278	WDA	AA229421255A26	107,190
WIA Youth - Out of School	17.259	WDA	AA229421255A26	178,941
WIA Youth - In School	17.259	WDA	AA229421255A26	407,611
WIA Dislocated Worker AY-11	17.278	WDA	AA214021155A26	381,306
WIA Dislocated Worker AY-12	17.278	WDA	AA229421255A26	504,644
WIA SWA Michigan Works! Agency Service Center Operations	17.258/.259/.278	WDA	AA202001055A26	26,373
WIA SWA Michigan Works! Agency Service Center Operations	17.258/.259/.278	WDA	AA229421255A26	50,000
				<u>2,149,934</u>
On-the-Job Training (OJT) National Emergency Grant (NEG)	17.277	KSJMW	02-20	<u>7,138</u>
Trade Adjustment Assistance Community College and Career Training (TAACCCT)	17.282	WDA	-n/a-	<u>15,000</u>
			Total U.S. Department of Labor	<u>3,149,379</u>

continued...

COUNTY OF MUSKEGON, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. DEPARTMENT OF TRANSPORTATION				
Federal Transit Cluster:				
Federal Transit 5309 - Capital Investment Grants	20.500	Direct	MI-03-0228	\$ 12,157
Federal Transit 5309 - Capital Investment Grants	20.500	Direct	MI-04-0069	16,242
Federal Transit 5307 - Congestion Mitigation & Air Quality Improvement	20.507	Direct	MI-90-X407	235,475
Federal Transit 5307 - Formula Grants	20.507	Direct	MI-90-X558	24,888
Federal Transit 5307 - Formula Grants	20.507	Direct	MI-90-X636	875,673
Federal Transit 5307 - Formula Grants	20.507	Direct	MI-90-X653	552,376
Federal Transit 5307 - Congestion Mitigation & Air Quality Improvement	20.507	Direct	MI-95-X055	20,471
Federal Transit 5307 - Congestion Mitigation & Air Quality Improvement	20.507	Direct	MI-95-X087	281,906
ARRA - Federal Transit 5307	20.507	Direct	MI-96-X010	239,568
				<u>2,258,756</u>
Federal Transit 5317 New Freedom Program:				
Federal Transit \$5317 New Freedom Program	20.521	MDOT	2007-0264 Z16	225,010
Federal Transit \$5317 New Freedom Program	20.521	MDOT	2012-0138 P001	100,000
Federal Transit \$5317 New Freedom Program	20.521	MDOT	2012-0138 P003	180,000
				<u>505,010</u>
State and Community Highway Safety - Traffic Enforcement	20.600	MSP	410 PT-13-11	<u>80,213</u>
Hazardous Materials Emergency Preparedness Grant	20.703	MSP	HM-HMP-0228-11-01-00	<u>5,071</u>
			Total U.S. Department of Transportation	<u>2,849,050</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Great Lakes Restoration Initiative				
Great Lakes Restoration Initiative	66.469	MDEQ	GL-OOE00697	152,029
Great Lakes Restoration Initiative	66.469	MDEQ	2010-7219	4,490
				<u>156,519</u>
Environmental Quality Operator Assistance	66.471	MDEQ	FS97548710	219
Environmental Quality Great Lakes Beach Water Monitoring	66.472	MDEQ	-n/a-	<u>21,483</u>
			Total U.S. Environmental Protection Agency	<u>178,221</u>
U.S. DEPARTMENT OF EDUCATION				
Title I, Part A	84.010	MDE	121701-1213	<u>9,477</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Public Health Emergency Preparedness Programs:				
Bioterrorism Supplemental	93.069	MDCH	CCU517018	4,603
Hospital Preparedness	93.069	MDCH	U90TP000528	135,858
				<u>140,461</u>
Homeless Project	93.150	Direct	2X06SM060023-12	<u>44,500</u>
Immunization Cluster:				
Immunization Grants - Immunization Action Plan (IAP)	93.268	MDCH	H23 CCH522556	80,606
Vaccines (non-cash assistance)	93.268	MDCH	-n/a-	193,625
				<u>274,231</u>
MI Colorectal Cancer Screening Program	93.283	MDCH	5U58DP002022	<u>9,325</u>
Temporary Assistance for Needy Families (TANF)	93.558	WDA	G-1302MITANF	<u>2,840,198</u>

continued...

COUNTY OF MUSKEGON, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2013

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)				
Cooperative Reimbursement Program - Friend of the Court	93.563	MDHS	CSCOM-13-61003	\$ 1,749,262
Child Support Incentives	93.563	MDHS	CSCOM-13-61003	238,600
				<u>1,987,862</u>
State Access and Visitation Program	93.597	MSC SCAO	-n/a-	<u>5,490</u>
BCCCP Coordination - Breast and Cervical Cancer Screening Opportunities	93.744	MDCH	1U58DP004088	<u>4,365</u>
Medicaid Outreach	93.778	MDCH	05 U05M15ADM	4,671
Pre-Admission Screening and Resident Review (OBRA-PASRR)	93.778	MDCH	2011-1172-00	21,577
CSHCS-Outreach & Advocacy - Medical Assistance Program	93.778	MDCH	05 U05M15ADM	56,500
				<u>82,748</u>
Family Planning / BCCCP Joint Project	93.919	MDCH	1U58DP003921	4,777
Breast & Cervical Cancer Coord.	93.919	MDCH	1U58DP003921	52,223
				<u>57,000</u>
HIV Prevention Activities - Health Department Based	93.940	MDCH	U62 PS003671	<u>62,507</u>
Block Grants for Community Mental Health Services: Serious Emotional Disturbance Waiver (SEDW)	93.958	MDCH	12B1MICMHS	<u>137,971</u>
Maternal and Child Health Services, Title V	93.994	MDCH	B1MIMCHS	165,826
Fetal Infant Mortality Review (FIMR)	93.994	MDCH	B1MIMCHS	250
Fetal Infant Mortality Review (FIMR) Case Extractions	93.994	MDCH	B1MIMCHS	5,400
				<u>171,476</u>
			Total U.S. Department of Health and Human Services	<u>5,818,134</u>
U.S. DEPARTMENT OF HOMELAND SECURITY				
Port Security Grant Program	97.056	Direct	MW2012PU00124	305,000
Homeland Security Grant Program (non-cash assistance)	97.067	WMSRDC	-n/a-	<u>299,687</u>
			Total U.S. Department of Homeland Security	<u>604,687</u>
			TOTAL EXPENDITURES OF FEDERAL AWARDS	<u>\$ 15,351,040</u>
				concluded

See notes to schedule of expenditures of federal awards.

COUNTY OF MUSKEGON, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

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, 2013. The information in this Schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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, who received federal awards that are not included in the Schedule for the year ended September 30, 2013, as this entity was separately audited.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the 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 OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

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	\$ 12,518,611
Enterprise funds:	
Grants and contributions - federal	192,037
Capital contributions - federal	3,122,272
Amounts expended by the Michigan Department of Transportation	(398,514)
Amounts received under a vendor relationship	<u>(83,366)</u>
Federal expenditures as reported in the Schedule	<u>\$ 15,351,040</u>

COUNTY OF MUSKEGON, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

4. SUBRECIPIENTS

The County administers certain federal awards programs through subrecipients. Those subrecipients are not considered part of the County's reporting entity. Of the federal expenditures presented in the Schedule, the County provided federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount Provided to Subrecipients
Supplemental Nutrition Assistance Program	10.561	\$ 765
ARRA - Edward Byrne Memorial Justice Grant	16.804	19,103
Wagner Peyser	17.207	173,038
Reemployment Services Emergency Unemployment Compensation (EUC)	17.225	94,652
Trade Adjustment Assistance Program	17.245	29,684
Workforce Investment Act (WIA) Cluster	17.258/.259/ .260/.278	1,088,742
Temporary Assistance to Needy Families (TANF)	93.558	1,757,499

5. 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
CNM	City of North Muskegon
CO	County of Ottawa
GVSU	Grand Valley State University
KSJMW	Kalamazoo/St. Joseph Michigan Works!
MDCH	Michigan Department of Community Health
MDE	Michigan Department of Education
MDEQ	Michigan Department of Environmental Quality
MDHS	Michigan Department of Human Services
MDOT	Michigan Department of Transportation
MSP	Michigan State Police
MSC SCAO	Michigan State Court Administrative Office
WDA	Workforce Development Agency
WMSRDC	West Michigan Shoreline Regional Development Corporation

6. 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 \$398,514 for the year ended September 30, 2013) are not presented on the Schedule, as they will be included in the single audit for the State of Michigan.



This page intentionally left blank.

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 27, 2014

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, 2013, 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 27, 2014. Our report includes a reference to other auditors who audited the financial statements of the Muskegon County Road Commission and the Community Mental Health Services of Muskegon County, a major special revenue fund, as described in our report on the 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) to determine the 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.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

Rehmann Johnson LLC

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

March 27, 2014

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 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, 2013. 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 Community Mental Health Services of Muskegon County (a major special revenue fund), which received federal awards that are not included in the Schedule. Our audit, described below, did not include the operations of the Muskegon County Road Commission or Community Mental Health Services of Muskegon County, as those entities engaged other auditors to perform their audits.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

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 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 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, 2013.

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 OMB Circular A-133, 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. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



COUNTY OF MUSKEGON, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2013

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes X 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 Circular A-133, Section 510(a)? yes X no

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	Women, Infants, and Children (WIC)
17.258/17.259/17.278	Workforce Investment Act Cluster (WIA)
20.500/20.507	Federal Transit Cluster
20.521	New Freedom Program
93.069	Public Health Emergency Preparedness Programs
93.558	Temporary Assistance for Needy Families (TANF)
93.563	Child Support Enforcement

Dollar threshold used to distinguish between Type A and Type B programs: \$ 460,531

Auditee qualified as low-risk auditee? yes X no

COUNTY OF MUSKEGON, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2013

SECTION II - FINANCIAL STATEMENT FINDINGS

None reported.

COUNTY OF MUSKEGON, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2013

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

COUNTY OF MUSKEGON, MICHIGAN

Summary Schedule of Prior Audit Findings

For the Year Ended September 30, 2013

Finding 2012-FS-1 - Material Audit Adjustments/Material Prior Period Adjustment

The auditors detected the need for adjustments to the accounting records in the current year and in the prior period that were quantitatively material to certain opinion units. There were no material audit adjustments identified in the current year.

Finding 2012-SA-1 - Internal Controls over Subrecipient Monitoring - CFDA # 16.738 and 16.804 - ARRA - Edward Byrne Memorial Competitive Grant

The County conducted subrecipient monitoring using the wrong CFDA number as the basis of the monitoring. In one instance, the County required corrective action from the subrecipient for not having the correct CFDA number included in the subrecipients single audit report, even though the subrecipient had included the correct CFDA number. The County's Finance Department has communicated the importance of accuracy in all aspects of administering and monitoring compliance requirements associated with federal financial assistance. The department involved in this finding has been contacted and appropriate controls have been put in place to assure utilization of appropriate CFDA numbers in the subrecipient process. This finding has been corrected during the year.

Finding 2012-SA-2 - Internal Controls over Reporting - CFDA# 93.563 - Child Support Enforcement

The County misreported indirect costs charges on its monthly reports leading to revisions throughout the entire fiscal year. The County's Finance Department has communicated the importance of accuracy in all aspects of administering and monitoring compliance requirements associated with federal financial assistance. The department involved in this finding has been contacted and appropriate controls have been put in place to assure that appropriate indirect costs are charged on a monthly basis. This finding has been corrected during the current year.

Finding 2012-SA-3 - Documentation of Payroll Expenditures in Accordance with Federal Costs Principles - CFDA# 20.500 and 20.507 - Federal Transit Cluster

It was identified that one individual who did not fill out a personnel activity report was being charged to the grant based on budgeted percentages. The County's Finance Department has communicated the importance of accuracy in all aspects of administering and monitoring compliance requirements associated with federal financial assistance. All departments have been notified that all labor costs funded with federal financial assistance must be supported with signed personnel activity reports. This finding has been corrected during the current year.

Finding 2012-SA-4 - Direct Charges to Federal Grants for Severance and Unused Leave Pay - CFDA# 10.557 - Women, Infants, and Children (WIC)

The County had charged severance pay and payments for unused absence time as direct costs to the federal program rather than as indirect costs. The County's Finance Department has modified the process for payment of severance pay to follow the requirements of Office of Management and Budget Circular A-87 (allocation of severance pay as general administrative costs). This finding has been corrected during the current year.

