

County of
Muskegon,
Michigan



Year Ended
September 30,
2014

Single Audit Act
Compliance

COUNTY OF MUSKEGON, MICHIGAN

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

March 25, 2015

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, 2014, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 25, 2015, 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.

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COUNTY OF MUSKEGON, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

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	131970 / 141970	\$ 10,191
National School Lunch Program	10.555	MDE	131960 / 141960	19,195
				<u>29,386</u>
U.S. Forest Service Law Enforcement Cooperative Agreement	10.unk	Direct	11-LE-11090400-017	293
Special Supplemental Nutrition Program for Women, Infants, & Children (WIC): WIC Program-Resident Services, WIC Admin	10.557	MDCH	IW100342	1,129,203
Supplemental Nutrition Assistance Program (SNAP)	10.561	WDA	2014IS251842	<u>2,683</u>
			Total U.S. Department of Agriculture	<u>1,161,565</u>
U.S. DEPARTMENT OF COMMERCE				
NOAA Habitat Conservation Program 1	11.463	Direct	NA12NOS4630176	2,960
NOAA Habitat Conservation Program 2	11.463	Direct	NA13NOS4630165	<u>1,900</u>
			Total U.S. Department of Commerce	<u>4,860</u>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Neighborhood Stabilization Program 3	14.218	Direct	B-11-UN-26-0008	<u>86,537</u>
Community Development Block Grant (CDBG): Housing Rehabilitation Program	14.228	MSHDA	MSC-2012-0787-HOA	<u>222,292</u>
Supportive Housing Program:				
HUD Supportive Housing Grant #1	14.235	Direct	MI0253L5F161306	103,756
HUD Supportive Housing Grant #2	14.235	Direct	MI0254L5F161306	16,523
HUD Supportive Housing Grant #3	14.235	Direct	MI0250L5F161303	20,148
HUD Supportive Housing Grant #4	14.235	Direct	MI0324L5F161303	21,613
				<u>162,040</u>
Lead-Based Paint Hazard Control Program	14.900	Direct	MILHB0505-11	<u>337,207</u>
Healthy Homes Production Program	14.913	Direct	MILHB0505-11	<u>20,468</u>
			Total U.S. Department of Housing and Urban Development	<u>828,544</u>
U.S. DEPARTMENT OF THE INTERIOR				
Payments in Lieu of Taxes	15.226	Direct	-n/a-	<u>28,206</u>
U.S. DEPARTMENT OF JUSTICE				
Crime Victim Assistance	16.575	MDCH	20484-17V12	<u>41,850</u>
Domestic Cannabis Eradication/Suppression Program (DCE/SP)	16.000	MSP	2014-18	<u>261</u>
State Criminal Alien Assistance Program (SCAAP)	16.606	Direct	2014-AP-BX-0521	<u>2,282</u>

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COUNTY OF MUSKEGON, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

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	70834-6-14-B	\$ 16,667
Edward Byrne Memorial Justice Assistance Grant	16.738	MSC SCAO	SCAO-2013-627	45,000
				<u>61,667</u>
		Total U.S. Department of Justice		<u>106,060</u>
U.S. DEPARTMENT OF LABOR				
Employment Service/Wagner Peyser 7(a) Program - PY-12	17.207	WDA	ES22694KF	28,425
Employment Service/Wagner Peyser 7(a) Program - PY-13	17.207	WDA	ES246251355A26	275,117
				<u>303,542</u>
Reemployment Services Emergency Unemployment Compensation (EUC)	17.225	WDA	ES246251355A26	<u>40,042</u>
Trade Adjustment Assistance -2002	17.245	WDA	-n/a-	20,139
Trade Adjustment Assistance - 2009/2011 AY 14	17.245	WDA	-n/a-	52,956
Trade Adjustment Assistance - 2009/2011 AY 14 Case Management	17.245	WDA	-n/a-	44,703
				<u>117,798</u>
Workforce Investment Act (WIA) Cluster:				
WIA Adult AY-12	17.258	WDA	AA229421255A26	189,040
WIA Adult AY-13	17.258	WDA	AA240991355A26	743,350
WIA Adult AY-14	17.258	WDA	AA253601455A26	9,615
WIA Local Administration AY-11	17.258/259/278	WDA	AA214021155A26	4,754
WIA Local Administration AY-12	17.258/259/278	WDA	AA229421255A26	98,317
WIA Local Administration AY-13	17.258/259/278	WDA	AA240991355A26	79,184
WIA Youth - Out of School AY 12	17.259	WDA	AA229421255A26	2,290
WIA Youth - Out of School AY 13	17.259	WDA	AA240991355A26	153,625
WIA Youth - In School AY-12	17.259	WDA	AA240991355A26	(2,583)
WIA Youth - In School AY-13	17.259	WDA	AA240991355A26	369,057
WIA Dislocated Worker AY-11	17.278	WDA	AA221101155A26	42,789
WIA Dislocated Worker AY-12	17.278	WDA	AA229421255A26	169,733
WIA Dislocated Worker AY-13	17.278	WDA	AA240991355A26	252,966
WIA SWA Michigan Works! Agency Service Center Operations AY-13	17.258/259/278	WDA	AA240991355A26	27,956
				<u>2,140,093</u>
Trade Adjustment Assistance Community College and Career Training (TAACCCT)	17.282	MCC	-n/a-	<u>20,000</u>
		Total U.S. Department of Labor		<u>2,621,475</u>

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COUNTY OF MUSKEGON, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

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 5307 - Facility lease	20.507	Direct	MI-90-X670-00	\$ 11,734
Federal Transit 5307 - Other Capital Items	20.507	Direct	MI-90-X653-00	141,966
Federal Transit 5307 - Other Capital Items	20.507	Direct	MI-90-X653-00	125,418
Federal Transit 5307 - Other Capital Items	20.507	Direct	MI-90-X670-00	399,924
Federal Transit 5307 - Other Capital Items	20.507	Direct	MI-04-0069-00	32,796
Federal Transit 5307 - Formula Grants	20.507	Direct	MI-90-X670-00	633,269
Federal Transit 5307 - Formula Grants	20.507	Direct	MI-90-X653-00	727,150
Federal Transit 5307 - Congestion Mitigation & Air Quality Improvement	20.507	Direct	MI-95-X094-00	40,746
Bus Station Engineering & Design	20.507	Direct	MI-03-0228-00	128,082
Bus and Bus Facilities Formula Program	20.526	MDOT	12-0138-P008	28,870
				<u>2,269,955</u>
Federal Transit 5317 New Freedom Program:				
Federal Transit 5317 New Freedom Program - Bus Shelters	20.521	MDOT	12-0138-P010	59,965
Federal Transit 5317 New Freedom Program - Mobility Management	20.521	MDOT	12-0138-P010	100,000
				<u>159,965</u>
Highway Safety Cluster:				
State and Community Highway Safety - Traffic Enforcement	20.600	MSP	PT-14-08	53,393
Alcohol Impaired Driving Countermeasures	20.601	MSP	AL-14-12	6,461
				<u>59,854</u>
Hazardous Materials Emergency Preparedness Grant	20.703	MSP	HM-HMP-0347-13-01-00	2,350
National Infrastructure Investments	20.933	Direct	MI-79-0001	1,350,000
				<u>3,842,124</u>
Total U.S. Department of Transportation				
U.S. ENVIRONMENTAL PROTECTION AGENCY				
Environmental Quality Operator Assistance	66.468	MDEQ	FS97548711	219
Great Lakes Program	66.469	DU	GL-OOE00697	2,390
Environmental Quality Great Lakes Beach Water Monitoring	66.472	MDEQ	CU00E99304	2,844
				<u>5,453</u>
Total U.S. Environmental Protection Agency				
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Public Health Emergency Preparedness Programs:				
Hospital Preparedness 10/01/13 - 6/30/14	93.069	MDCH	U90TP000528	100,353
Hospital Preparedness 7/01/14 - 9/30/14	93.069	MDCH	U90TP000528	34,378
				<u>134,731</u>
Projects for Assistance in Transition from Homelessness (PATH)	93.150	MDCH	2X06SM0160023-13	41,607
Immunization Cluster:				
Immunization Grants - Immunization Action Plan (IAP)	93.268	MDCH	H23 CCH522556	80,282
Vaccines (non-cash assistance)	93.268	MDCH	H23 CCH522556	112,302
				<u>192,584</u>
MI Colorectal Cancer Screening Program	93.283	MDCH	5U58DP002022	5,986
Temporary Assistance for Needy Families (TANF)	93.558	WDA	1302MITANF	2,938,706
				<u>2,938,706</u>

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COUNTY OF MUSKEGON, MICHIGAN

Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2014

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	CSCOM13-61003	\$ 2,043,636
Child Support Incentives	93.563	MDHS	CSCOM13-61003	252,457
				<u>2,296,093</u>
State Access and Visitation Program	93.597	MSC SCAO	SCAO-2014-019	3,100
Prosecuting Attorney Contracts (Title IV-E)	93.658	MDHS	PROFC11-61001	33,650
Family Planning / BCCP Joint Project	93.752	MDCH	1U58DP003921	1,122
Children's Special Health Care Services (CSHCS) Outreach & Advocacy	93.778	MDCH	05 U05M15ADM	56,500
Pre-Admission Screening and Resident Review (OBRA-PASARR)	93.778	MDCH	-n/a-	26,737
Medicaid Outreach	93.778	MDCH	05 U05M15ADM	16,858
				<u>100,095</u>
BCCCP Coordination - Breast & Cervical Cancer Screening Opportunities	93.919	MDCH	1U58DP003921	50,239
Family Planning / BCCCP Joint Project	93.919	MDCH	1U58DP003921	1,948
				<u>52,187</u>
HIV Prevention Activities - Health Department Based	93.940	MDCH	U62 PS003671	48,963
Block Grants for Community Mental Health Services: Serious Emotional Disturbance Waiver (SEDW)	93.958	MDCH	13B1MICMHS	131,469
Maternal and Child Health Services, Title V	93.994	MDCH	B1MIMCHS	164,812
Childhood Lead Poisoning Prevention Program	93.994	MDCH	B1MIMCHS	7,500
				<u>172,312</u>
			Total U.S. Department of Health and Human Services	<u>6,152,605</u>
EXECUTIVE OFFICE OF THE PRESIDENT				
High Intensity Drug Trafficking Areas Programs	95.001	CO	-n/a-	191
U.S. DEPARTMENT OF HOMELAND SECURITY				
Port Security Grant Program	97.056	Direct	EMW2013PU00159	333,966
Homeland Security Grant Program (non-cash assistance)	97.067	WMSRDC	-n/a-	248,106
			Total U.S. Department of Homeland Security	<u>582,072</u>
			TOTAL EXPENDITURES OF FEDERAL AWARDS	<u>\$ 15,333,155</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, 2014. 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, which received federal awards that are not included in the Schedule for the year ended September 30, 2014, 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	\$ 11,669,528
Enterprise funds:	
Grants and contributions - federal	191,225
Capital contributions - federal	4,548,739
Amounts expended directly by the Michigan Department of	
Transportation for the benefit of the County of Muskegon	(957,654)
Amounts received under a vendor relationship	<u>(118,683)</u>
Federal expenditures as reported in the Schedule	<u>\$ 15,333,155</u>

COUNTY OF MUSKEGON, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

4. SUBRECIPIENT

The County administers a certain federal award program through a subrecipient. That subrecipient is not considered part of the County's reporting entity. Of the federal expenditures presented in the Schedule, the County provided federal awards to a subrecipient from its Port Security Grant Program CFDA #97.056 in the amount of \$83,112.

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
CO	County of Ottawa
DU	Ducks Unlimited
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
MSHDA	Michigan State Housing Development Authority
MSP	Michigan State Police
MSC SCAO	Michigan State Court Administrative Office
MCC	Muskegon Community College
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 \$957,654 for the year ended September 30, 2014) are not presented on the Schedule, as they will be included in the single audit for the State of Michigan.



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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*

March 25, 2015

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, 2014, 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 25, 2015. Our report includes a reference to other auditors who audited the financial statements of the Muskegon County Road Commission (a discretely presented component unit), and the Community Mental Health Services of Muskegon County (a major special revenue fund), as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Muskegon County Road Commission were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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. We did identify a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.

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*.

County of Muskegon's Response to Finding

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Rehmann Lobson LLC".

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

March 25, 2015

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, 2014. 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, 2014.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-002. Our opinion on each major federal program is not modified with respect to this matter.

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

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.

Rehmann Lobson LLC

COUNTY OF MUSKEGON, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2014

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? yes no

Significant deficiency(ies) identified? X yes 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)? X yes 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)
20.933	National Infrastructure Investments
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: \$ 459,995

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, 2014

SECTION II - FINANCIAL STATEMENT FINDINGS

2014-001 - Audit Adjustments

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles (GAAP). Generally accepted auditing standards require us to identify and report to those charged with governance any significant adjustments identified during the audit process.

Condition. During our audit, we identified and proposed certain adjustments (which were approved and posted by management) to adjust the County's general ledger to the appropriate balances. These adjustments related to accounts payable and amounts due to other governments. In addition, we identified and proposed certain adjustments to the capital asset schedules prepared by management as the basis for drafting the government-wide financial statements.

Cause. The adjustment to accounts payable was caused by an oversight in recording retainage payable for ongoing construction projects at year end. The adjustment to amounts due to other governments was caused by a misunderstanding of the proper accounting for amounts received under operating lease agreements without a related long-term debt component. The adjustment to the capital asset schedules was caused by a system error which allowed a project to be reported in multiple pieces that added up to more than the total project. In each case, the County's internal controls did not detect and correct the errors prior to the auditors' involvement.

Effect. As a result of this condition, the County's accounting records were initially misstated by amounts that were significant to the financial statements, and resulted in the need for audit adjustments.

Recommendation. Management has already taken the appropriate corrective action by reviewing and approving the proposed audit adjustments. We recommend that management continue to carefully review all financial statement areas to further mitigate the potential for audit adjustments.

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

COUNTY OF MUSKEGON, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended September 30, 2014

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2014-002 - Preparation of Schedule of Expenditures of Federal Awards

Finding Type. Immaterial Noncompliance - Reporting

Program. National Infrastructure Investments; U.S. Department of Transportation; CFDA Number 20.933; Award Number MI-79-0001.

Criteria. OMB Circular A-133, §___.300, requires that a recipient of federal awards subject to a single audit "identify, in its accounts, all Federal awards received and expended and the federal programs under which they were received. Federal program award identification shall include, as applicable, the CFDA title and number, award number, award number and year, name of the federal agency, and name of the pass-through entity." In addition the County is required to "prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards in accordance with §___.310.

Condition. The County initially identified its National Infrastructure Investment grant on the Schedule of Expenditures of Federal Awards (SEFA) under an incorrect CFDA number and cluster.

Cause. Management was aware of the correct CFDA number, and it was properly reported elsewhere in the County's records. The incorrect CFDA number initially reported on the County's SEFA appears to have been a simple clerical error that was not initially detected by management.

Effect. As a result of this condition, the County's SEFA was initially incorrect, which could have resulted in the auditors incorrectly testing (or failing to test) a major federal program. However, the error was identified prior to the audit being completed, and this was averted.

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

Recommendation. Management has already taken the appropriate corrective action by reviewing and approving the correction to the SEFA. We recommend that management continue to carefully review its SEFA for accuracy and consistency with the underlying grant agreements.

View of Responsible Officials. Management acknowledges the importance of accurate program and cluster identification for the auditors to be able to plan and perform an effective and efficient Single Audit based on the County-prepared SEFA, and that although the auditors were ultimately able to perform proper procedures based on the corrected report, there was inefficiency that resulted from detecting and correcting a federal award's initial misidentification on the SEFA late in the auditor field work. The sequence of audit preparation work will be adjusted and an additional internal review will be performed going forward so that supplemental schedules will be prepared in advance of the SEFA and compared for accurate and consistent information between and among reports so that exceptions, if any, may be detected and corrected by staff prior to commencement of auditor planning and testing procedures.

COUNTY OF MUSKEGON, MICHIGAN

■ Summary Schedule of Prior Audit Findings For the Year Ended September 30, 2014

None reported.

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