

County of  
Muskegon,  
Michigan



Year Ended  
September 30,  
2015

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 28, 2016

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the *County of Muskegon, Michigan* (the "County") as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 28, 2016, 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 Robson LLC". The signature is written in a cursive, flowing style.

COUNTY OF MUSKEGON, MICHIGAN

Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
<b>U.S. DEPARTMENT OF AGRICULTURE</b>				
Child Nutrition Cluster:				
National School Breakfast Program	10.553	MDE	141970/151970	\$ 14,724
National School Lunch Program	10.555	MDE	141960/151960	27,331
				<u>42,055</u>
Special Supplemental Nutrition Program for Women, Infants, & Children (WIC):				
WIC Program-Resident Services, WIC Admin	10.557	MDHHS	IW100342	1,129,203
Supplemental Nutrition Assistance Program (SNAP)	10.561	MWDA	15152MI100S2518	10,059
				<u>1,181,317</u>
<b>U.S. DEPARTMENT OF COMMERCE</b>				
NOAA Habitat Conservation Program 1	11.463	Direct	NA12NOS4630176	6,277
NOAA Habitat Conservation Program 2	11.463	Direct	NA13NOS4630165	15,818
				<u>22,095</u>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>				
Neighborhood Stabilization Program 3	14.218	Direct	B-11-UN-26-0008	75,069
Community Development Block Grant (CDBG):				
Housing Rehabilitation Program	14.228	MSHDA	MSC-2012-0787-HOA	71,132
Lead-Based Paint Hazard Control Program	14.900	Direct	MILHB0505-11	151,956
Lead-Based Paint Hazard Control Program	14.900	Direct	MILHB0573-14	211,074
				<u>363,030</u>
Healthy Homes Production Program	14.913	Direct	MILHB0505-11	6,110
				<u>515,341</u>
<b>U.S. DEPARTMENT OF THE INTERIOR</b>				
Payments in Lieu of Taxes	15.226	Direct	-n/a-	28,101
<b>U.S. DEPARTMENT OF JUSTICE</b>				
Crime Victim Assistance	16.575	MDHHS	20150108-00	43,025
State Criminal Alien Assistance Program (SCAAP)	16.606	Direct	2015-AP-BX-0738	1,672
JAG Program Cluster:				
West Michigan Enforcement Team (WEMET) Ottawa County	16.738	CO	70834-6-14-B	16,625
Edward Byrne Memorial Justice Assistance Grant	16.738	MSC SCAO	SCAO-2014-03074	45,000
				<u>61,625</u>
				<u>106,322</u>

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COUNTY OF MUSKEGON, MICHIGAN

Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
<b>U.S. DEPARTMENT OF LABOR</b>				
Employment Service/Wagner Peyser 7(a) Program - PY-13	17.207	MWDA	ES246251355A26	\$ 11,173
Employment Service/Wagner Peyser 7(a) Program - PY-14	17.207	MWDA	ES260561455A26	289,036
Employment Service/Wagner Peyser 7(a) Program - PY-15	17.207	MWDA	ES274971555A26	18,131
				<u>318,340</u>
Trade Adjustment Assistance - 2002 AY15	17.245	MWDA	-n/a-	49,796
Trade Adjustment Assistance - 2009/2011 AY15	17.245	MWDA	-n/a-	20,055
Trade Adjustment Assistance - 2009/2011 AY15 Case Management	17.245	MWDA	-n/a-	42,000
Trade Adjustment Assistance - 2015 Administrative Grant	17.245	MWDA	-n/a-	11,000
				<u>122,851</u>
<b>Workforce Investment Act (WIA) Cluster:</b>				
WIA Adult AY-13	17.258	MWDA	AA240991355A26	50,000
WIA Adult AY-14	17.258	MWDA	AA253601455A26	746,986
WIOA Transition / WIA Adult Allocation	17.258	MWDA	AA253601455A26	6,559
WIA Local Administration AY-12	17.258/259/278	MWDA	AA229421255A26	6,764
WIA Local Administration AY-13	17.258/259/278	MWDA	AA240991355A26	55,001
WIA Local Administration AY-14	17.258/259/278	MWDA	AA253601455A26	106,431
Jobs for America's Graduates (JAG) Expansion	17.258/259/278	MWDA	AA240991355A26	41,427
Jobs for America's Graduates (JAG) Expansion	17.258/259/278	KI	n/a	20,000
Youth Statewide Federal Food Program	17.258/259/278	MWDA	AA267861555A26	1,935
WIA SWA Michigan Works! Agency Service Center Operations AY-13	17.258/259/278	MWDA	AA240991355A26	44
WIA SWA Michigan Works! Agency Service Center Operations AY-14	17.258/259/278	MWDA	AA253601455A26	50,000
WIA SWA Michigan Works! Agency Service Center Operations AY-15	17.258/259/278	MWDA	AA267861555A26	3,452
WIOA Transition / WIA Youth Allocation AY-14	17.259	MWDA	AA253601455A26	6,353
WIA Youth - Out of School AY-13	17.259	MWDA	AA240991355A26	22,274
WIA Youth - Out of School AY-14	17.259	MWDA	AA253601455A26	162,233
WIA Youth - Out of School AY-15	17.259	MWDA	AA267861555A26	51,873
WIA Youth - In School AY-13	17.259	MWDA	AA240991355A26	41,374
WIA Youth - In School AY-14	17.259	MWDA	AA253601455A26	238,322
WIA Youth - In School AY-15	17.259	MWDA	AA267861555A26	24,838
WIA Dislocated Worker AY-12	17.278	MWDA	AA229421255A26	60,881
WIA Dislocated Worker AY-13	17.278	MWDA	AA240991355A26	75,039
WIA Dislocated Worker AY-14	17.278	MWDA	AA253601455A26	205,409
WIOA Transition / WIA Dislocated Worker Allocation AY-14	17.278	MWDA	AA253601455A26	7,473
				<u>1,984,668</u>
Job-Driven (JD) National Emergency Grant (NEG)	17.277	CO	EM258641460A26	1,381
Trade Adjustment Assistance Community College and Career Training (TAACCT)	17.282	MCC	-n/a-	20,000
			<b>Total U.S. Department of Labor</b>	<u>2,447,240</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>				
<b>Federal Transit Cluster:</b>				
<b>Section 5309 Capital Investment Grants:</b>				
Capital Assistance	20.500	Direct	MI-03-0228	132,857
Facility Development	20.500	Direct	MI-04-0026	1,216,714
Facility Development	20.500	Direct	MI-04-0069	234,866
<b>Section 5307 Formula Grants:</b>				
Capital Assistance	20.507	Direct	MI-90-X670-00	1,930,091
Capital Assistance	20.507	Direct	MI-90-X698-00	355,877
Congestion Mitigation & Air Quality (CMAQ) Improvement	20.507	Direct	MI-95-X094-00	263,721

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COUNTY OF MUSKEGON, MICHIGAN

**Schedule of Expenditures of Federal Awards**  
For the Year Ended September 30, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
<b>U.S. DEPARTMENT OF TRANSPORTATION (CONCLUDED)</b>				
Federal Transit Cluster (Concluded):				
Section 5339 Bus and Bus Facilities Formula Program:				
Terminal Equipment	20.526	MDOT	2012-0138-P008	\$ 129,232
Facility Development	20.526	MDOT	2012-0138-P012	161,004
Terminal Equipment	20.526	MDOT	2012-0138-P018	16,980
				<u>4,441,342</u>
Transit Services Programs Cluster:				
Section 5310/5317 New Freedom Program:				
Bus Stop Improvements	20.513	MDOT	2012-0138/P013	301
Bus Shelters	20.521	MDOT	2013-0138/P010	20,027
Mobility Management	20.521	MDOT	2012-0138-P014	110,000
				<u>130,328</u>
Highway Safety Cluster:				
Strategic Traffic Enforcement Program	20.600	MSP	PT-15-10	53,321
Safety Belt Enforcement	20.600	MSP	PT-15-10	8,335
Alcohol Impaired Driving Countermeasures	20.601	MSP	AL-15-12	4,982
				<u>66,638</u>
Hazardous Materials Emergency Preparedness Grant	20.703	MSP	HM-HMP-0439-14-01-01	1,170
				<u>1,170</u>
			<b>Total U.S. Department of Transportation</b>	<b><u>4,639,478</u></b>
<b>U.S. ENVIRONMENTAL PROTECTION AGENCY</b>				
Environmental Quality Operator Assistance	66.468	MDEQ	FS97548712	219
Environmental Quality Great Lakes Beach Water Monitoring	66.472	MDEQ	CU00E99305	9,166
				<u>9,166</u>
			<b>Total U.S. Environmental Protection Agency</b>	<b><u>9,385</u></b>
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>				
Public Health Emergency Preparedness Programs:				
Hospital Preparedness 10/01/14 - 6/30/15	93.069	MDHHS	U90TP000528	103,134
Hospital Preparedness 7/01/15 - 9/30/15	93.069	MDHHS	U90TP000528	34,184
				<u>137,318</u>
Immunization Grants - Immunization Action Plan (IAP)	93.268	MDHHS	H23 CCH522556	82,391
Vaccines (non-cash assistance)	93.268	MDHHS	H23 CCH522556	97,149
				<u>179,540</u>
Capacity Building Activities to Strengthen Public Health Infrastructure and Performance:				
Million Hearts Michigan Learning Collaborative	93.524	MDHHS	83-12302	59,000
				<u>59,000</u>
PPHF Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure Immunization Action Plan (IAP)	93.539	MDHHS	H23 IP000752	8,512
				<u>8,512</u>
Temporary Assistance for Needy Families (TANF)	93.558	MWDA	1502MITANF	2,549,759
				<u>2,549,759</u>
				continued...

COUNTY OF MUSKEGON, MICHIGAN

**Schedule of Expenditures of Federal Awards**  
For the Year Ended September 30, 2015

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (CONTINUED)</b>				
Cooperative Reimbursement Program - Friend of the Court	93.563	MDHHS	CSCOM13-61003	\$ 2,646,836
Child Support Incentives	93.563	MDHHS	CSCOM13-61003	244,856
				<u>2,891,692</u>
State Access and Visitation Program	93.597	MSC SCAO	SCAO-2015-014	<u>4,795</u>
Prosecuting Attorney Contracts (Title IV-E)	93.658	MDHHS	PROFC14-61001	<u>40,781</u>
Children's Special Health Care Services (CSHCS) Outreach & Advocacy	93.778	MDHHS	05 U05M15ADM	<u>56,500</u>
HIV Prevention Activities - Health Department Based	93.940	MDHHS	U62 PS003671	<u>22,511</u>
Preventative Health and Health Services Block Grants	93.991	MDHHS	B01OT009028	<u>45,000</u>
Maternal and Child Health Services Block Grant to the States:				
Other-MCH-Varied	93.994	MDHHS	B1MIMCHS	165,826
Childhood Lead Poisoning Prevention Program	93.994	MDHHS	B1MIMCHS	7,500
Infant Safe Sleep Program	93.994	MDHHS	B1MIMCHS	22,500
				<u>195,826</u>
			<b>Total U.S. Department of Health and Human Services</b>	<u><b>6,191,234</b></u>
<b>EXECUTIVE OFFICE OF THE PRESIDENT</b>				
High Intensity Drug Trafficking Areas Programs	95.001	CO	-n/a-	<u>3,121</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>				
Emergency Management Performance Grant	97.042	MSP	EMW-2015-EP-00029-S01	<u>31,275</u>
2013 Port Security Grant Program	97.056	Direct	EMW-2013-PU-00159	38,179
2014 Port Security Grant Program	97.056	Direct	EMW-2014-PU-00226	451,538
				<u>489,717</u>
Homeland Security Grant Program (non-cash assistance)	97.067	WMSRDC	-n/a-	<u>120,150</u>
			<b>Total U.S. Department of Homeland Security</b>	<u><b>641,142</b></u>
			<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>	<u><b>\$ 15,784,776</b></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, 2015. 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, and HealthWest, a major special revenue fund, which received federal awards that are not included in the Schedule for the year ended September 30, 2015, as these entities were 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	\$ 12,331,622
Enterprise funds:	
Grants and contributions - federal	2,320,295
Capital contributions - federal	3,682,769
Amounts expended directly by the Michigan Department of	
Transportation for the benefit of the County of Muskegon	(1,431,394)
Amounts received under a vendor relationship	(17,652)
Amounts audited by other auditors	<u>(1,100,864)</u>
 Federal expenditures as reported on the Schedule	 <u><u>\$ 15,784,776</u></u>

# COUNTY OF MUSKEGON, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

### 4. PASS-THROUGH AGENCIES

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

Pass-through Agency Abbreviation	Pass-through Agency Name
CO	County of Ottawa
KI	Kinexus
MDE	Michigan Department of Education
MDEQ	Michigan Department of Environmental Quality
MDHHS	Michigan Department of Health and Human Services
MDOT	Michigan Department of Transportation
MSHDA	Michigan State Housing Development Authority
MSP	Michigan State Police
MSC SCAO	Michigan Supreme Court, State Court Administrative Office
MCC	Muskegon Community College
MWDA	Michigan Workforce Development Agency
WMSRDC	West Michigan Shoreline Regional Development Corporation

### 5. OTHER FEDERAL REVENUE

The County is an indirect beneficiary of federal funds that are expended directly by the Michigan Department of Transportation. These expenditures (which totaled \$1,431,394 for the year ended September 30, 2015) 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 28, 2016

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *County of Muskegon, Michigan* (the "County"), as of and for the year ended September 30, 2015, 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 28, 2016. Our report includes a reference to other auditors who audited the financial statements of the Muskegon County Road Commission (a discretely presented component unit), and HealthWest (a major special revenue fund), as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Muskegon County Road Commission were not audited in accordance with *Government Auditing Standards*.

#### Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) 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 2015-001 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.



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

March 28, 2016

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

**Report on Compliance for Each Major Federal Program**

We have audited the compliance of the *County of Muskegon, Michigan* (the "County") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2015. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

*Management's Responsibility*

Management is responsible for compliance with 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, 2015.

#### **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.

A handwritten signature in black ink that reads "Rehmann Loban LLC". 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, 2015

### 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?   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)?        yes   X   no

Identification of major programs:

CFDA Number  
20.500, 20.507, 20.526  
97.056

Name of Federal Program or Cluster  
Federal Transit Cluster  
Port Security Grant Program

Dollar threshold used to distinguish between Type A and Type B programs:   \$  473,543  

Auditee qualified as low-risk auditee?   X   yes        no

# COUNTY OF MUSKEGON, MICHIGAN

## Schedule of Findings and Questioned Costs For the Year Ended September 30, 2015

### SECTION II - FINANCIAL STATEMENT FINDINGS

#### 2015-001 - Audit Adjustments (Repeat finding)

**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.** In addition to several other adjustments which were not material to the financial statements, we identified and proposed a certain significant adjustment (which was approved and posted by management) to adjust the County's general ledger to the appropriate balances. This adjustment related to landfill postclosure cost and expense in the Solid Waste enterprise fund. In addition, our audit procedures over capital assets identified various errors in the County's schedules, including variances between the capital asset rollforwards, the capital asset detail, and the underlying general ledger, which further resulted in the need for adjustments.

**Cause.** The adjustment to landfill postclosure costs was due in part to a lack of an independent review over the underlying calculation, as well as mechanical errors in the calculation. The adjustment to the capital asset schedules and general ledger was caused by a lack of independent review and approval of reconciliations between construction in progress amounts and capital assets schedules, and the cumbersome system in place for tracking the capital asset activity.

**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. We also recommend that the County have an independent review and approval of capital asset and landfill postclosure schedules, as well as other areas where manual spreadsheets outside of the accounting system are used as the basis for adjusting the accounting records.

**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, 2015

### SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None noted.

# COUNTY OF MUSKEGON, MICHIGAN

## Summary Schedule of Prior Audit Findings For the Year Ended September 30, 2015

### 2014-001 - Audit Adjustments

During our audit, there were identified 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, the auditors identified and proposed certain adjustments to the capital asset schedules prepared by management as the basis for drafting the government-wide financial statements. This finding has been repeated in the current year as item 2015-001.

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

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. This finding has been corrected during the current year.

