

**COUNTY OF MUSKEGON,
MICHIGAN**

SINGLE AUDIT REPORT

**FOR THE YEAR ENDED
SEPTEMBER 30, 2008**

COUNTY OF MUSKEGON, MICHIGAN

SINGLE AUDIT REPORT

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

January 22, 2009

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

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *County of Muskegon, Michigan* as of and for the year ended September 30, 2008, which collectively comprise the basic financial statements, and have issued our report thereon dated January 22, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

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

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

May 18, 2009

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

Compliance

We have audited the compliance of the *County of Muskegon, Michigan* with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of the Organization's major federal programs for the year ended September 30, 2008. The County of Muskegon Michigan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Muskegon Michigan's management. Our responsibility is to express an opinion on the County of Muskegon, Michigan's compliance based on our audit.

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

In our opinion, Muskegon County complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2008. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2008-1 and 2008-2.

Internal Control Over Compliance

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

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

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2008-1 and 2008-2 to be significant deficiencies.

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

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the *County of Muskegon, Michigan*, as of and for the year ended September 30, 2008, which collectively comprise the basic financial statements, and have issued our report thereon dated January 22, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

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

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

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

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

COUNTY OF MUSKEGON, MICHIGAN
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS
FOR THE YEAR ENDED SPETEMBER 30, 2008

Federal/Pass-through Grantor Program Title	CFDA Number	Pass-through Grantor Number	Federal Grants/Loans Awarded
U.S. Department of Agriculture			
Direct Programs:			
School Breakfast Program	10.553	N/A	\$ 11,378
National School Lunch Program	10.555	N/A	17,441
Child and Adult Care Food Distribution Program	10.558	N/A	5,493
Passed through the Michigan Department of Community Health:			
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	10.557	N/A	915,533
Passed through the Michigan Department of Energy, Labor and Economic Growth:			
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	N/A	<u>108,796</u>
Total U.S. Department of Agriculture			<u>1,058,641</u>
U.S. Department of Commerce			
Passed through the Department of Economic Development Administration:			
Investments for Public Works and Economic Development Facilities	11.300	N/A	<u>2,092,244</u>
U.S. Department of Housing and Urban Development			
Passed through the Michigan State Housing Development Authority:			
Community Development Block Grant - Housing	14.228	MSC 2008-0787-HOA	300,000
Passed through the Michigan Economic Development Corporation:			
Community Development Block Grant - Digital Divide Investment Program	14.228	MBDA-002-2005	2,216,000
Community Development Block Grant - Western Avenue Redevelopment	14.228	MSC-204071-EDIG	500,000
Community Development Block Grant - Western Avenue Redevelopment	14.228	MSC-204081-EDIG	1,000,000
Direct Programs:			
HUD Supportive Housing	14.235	N/A	99,112
HUD Supportive Housing #2	14.235	N/A	15,989
Passed through the Michigan Department of Community Health:			
Lead-based Paint Hazard Control in Privately-owned Housing	14.900	N/A	<u>12,334</u>
Total U.S. Department of Housing and Urban Development			<u>4,143,435</u>
U.S. Department of Justice			
Passed through the Michigan Department of Human Services:			
Juvenile Accountability Block Grants	16.523	JAIBG 07-61001	6,680
Passed through the Michigan Department of Management and Budget:			
Crime Victim Assistance	16.575	20484-11V05	65,090
Passed through the Office of Drug Control Policy:			
Edward Byrne Memorial Formula Grant Program	16.579	70834-9-08-B	38,264
Direct Programs:			
Edward Byrne Memorial Formula Grant - 2006 Bulletproof Vests	16.579	N/A	699
Edward Byrne Memorial Formula Grant - Office of Justice Programs	16.579	N/A	75,656
State Criminal Alien Assistance	16.606	N/A	12,347
Edward Byrne Memorial Justice Assistance Grant Program - Tasers	16.738	N/A	<u>16,776</u>
Total U.S. Department of Justice			<u>215,512</u>

Federal Grants Earned			Program Expenditures Incurred			Remaining Funds Available
Prior Year	Current Year	Total	Prior Year	Current Year	Total	
\$ -	\$ 11,378	\$ 11,378	\$ -	\$ 11,378	\$ 11,378	\$ -
-	17,441	17,441	-	17,441	17,441	-
-	-	-	-	-	-	5,493
-	915,533	915,533	-	915,533	915,533	-
-	2,450	2,450	-	2,450	2,450	106,346
-	946,802	946,802	-	946,802	946,802	111,839
-	2,092,244	2,092,244	-	2,092,244	2,092,244	-
-	15,512	15,512	-	15,512	15,512	284,488
1,358,372	720,753	2,079,125	1,358,372	720,753	2,079,125	136,875
282,877	-	282,877	282,877	-	282,877	217,123
1,000,000	-	1,000,000	1,000,000	-	1,000,000	-
-	92,366	92,366	-	92,366	92,366	6,746
-	15,906	15,906	-	15,906	15,906	83
-	12,334	12,334	-	12,334	12,334	-
2,641,249	856,871	3,498,120	2,641,249	856,871	3,498,120	645,315
-	6,680	6,680	-	6,680	6,680	-
-	65,090	65,090	-	65,090	65,090	-
-	38,264	38,264	-	38,264	38,264	-
-	699	699	-	699	699	-
-	75,656	75,656	-	75,656	75,656	-
-	12,347	12,347	-	12,347	12,347	-
-	-	-	-	-	-	16,776
-	198,736	198,736	-	198,736	198,736	16,776

(continued)

COUNTY OF MUSKEGON, MICHIGAN
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED SPETEMBER 30, 2008

Federal/Pass-through Grantor Program Title	CFDA Number	Pass-through Grantor Number	Federal Grants/Loans Awarded
U.S. Department of Labor			
Passed through the Michigan Department of Energy, Labor and Economic Growth:			
Employment Service/Wagner Peyser Funded Activities	17.207	N/A	\$ 463,423
Trade Adjustment Assistance	17.245	N/A	1,205,385
WIA Cluster:			
WIA Adult Program - Administration	17.258	N/A	153,991
WIA Adult Program - Adult	17.258	N/A	2,362,929
WIA Adult Program - No Worker Left Behind Statewide	17.258	N/A	17,352
WIA Adult Program - Youth Statewide	17.258	N/A	1,450
WIA Adult Program - Service Center Operations	17.258	N/A	17,265
WIA Adult Program - TANF Replacement Funds Statewide	17.258	N/A	84,349
WIA Youth Activities - Administration	17.259	N/A	204,285
WIA Youth Activities	17.259	N/A	971,870
WIA Youth Activities - No Worker Left Behind Statewide	17.259	N/A	23,019
WIA Youth Activities - Youth Statewide	17.259	N/A	1,924
WIA Youth Activities - Service Center Operations	17.259	N/A	22,904
WIA Youth Activities - TANF Replacement Funds Statewide	17.259	N/A	111,898
WIA Dislocated Workers - Administration	17.260	N/A	400,302
WIA Dislocated Workers	17.260	N/A	2,705,241
WIA Dislocated Workers - No Worker Left Behind Statewide	17.260	N/A	45,107
WIA Dislocated Workers - Youth Statewide	17.260	N/A	3,770
WIA Dislocated Workers - Service Center Operations	17.260	N/A	44,880
WIA Dislocated Workers - Rapid Response Incumbent Worker	17.260	N/A	104,524
WIA Dislocated Workers - TANF Replacement Funds Statewide	17.260	N/A	219,267
Total WIA Cluster			<u>7,496,327</u>
WIA Pilots, Demonstrations, and Research Projects	17.261	N/A	814,163
Work Incentive Grant	17.266	N/A	<u>20,524</u>
Total U.S. Department of Labor			<u>9,999,822</u>
U.S Department of Transportation			
Passed through the Michigan Department of Highway Safety:			
Airport Improvement Program	20.106	3-26-0601-02706	5,633,461
Airport Improvement Program	20.106	3-26-0601-02605	1,000,000
Airport Improvement Program	20.106	3-26-0601-02807	3,849,039
Airport Improvement Program	20.106	3-26-0601-02908	2,911,935
Passed through the Michigan Department of Transportation:			
Federal Transit - Formula Grants	20.507	MDOT-2002-0072Z5	1,633,548
Direct Programs:			
Federal Transit - Formula Grants - MI-03-0228	20.507	N/A	485,888
Federal Transit - Formula Grants - MI-90-X497	20.507	N/A	1,508,469
Federal Transit - Formula Grants - MI-90-0365	20.507	N/A	1,689,142
Federal Transit - Formula Grants - MI-90-X443	20.507	N/A	1,688,826
Federal Transit - Formula Grants - MI-90-X536	20.507	N/A	1,336,201
Federal Transit - Formula Grants - MI-90-X558	20.507	N/A	1,456,745
Federal Transit - Formula Grants - MI-90-0388	20.507	N/A	1,707,054
Federal Transit - Formula Grants - MI-90-X407	20.507	N/A	1,968,161
State and Community Highway Safety	20.600	N/A	47,000
Alcohol Traffic Safety and Drunk Driving Prevention Incentive Grants	20.601	N/A	14,985
Occupant Protection	20.602	N/A	4,000
Safety Belt Performance Grants	20.609	N/A	<u>19,572</u>
Total U.S Department of Transportation			<u>26,954,026</u>

Federal Grants Earned			Program Expenditures Incurred			Remaining Funds Available
Prior Year	Current Year	Total	Prior Year	Current Year	Total	
\$ -	\$ 374,196	\$ 374,196	\$ -	\$ 374,196	\$ 374,196	\$ 89,227
-	1,205,385	1,205,385	-	1,205,385	1,205,385	-
-	72,960	72,960	-	72,960	72,960	81,031
-	1,293,374	1,293,374	-	1,293,374	1,293,374	1,069,555
-	16,172	16,172	-	16,172	16,172	1,180
-	1,347	1,347	-	1,347	1,347	103
-	16,794	16,794	-	16,794	16,794	471
-	71,464	71,464	-	71,464	71,464	12,885
-	96,789	96,789	-	96,789	96,789	107,496
-	866,969	866,969	-	866,969	866,969	104,901
-	21,453	21,453	-	21,453	21,453	1,566
-	1,788	1,788	-	1,788	1,788	136
-	22,279	22,279	-	22,279	22,279	625
-	94,804	94,804	-	94,804	94,804	17,094
-	189,661	189,661	-	189,661	189,661	210,641
-	1,208,174	1,208,174	-	1,208,174	1,208,174	1,497,067
-	42,038	42,038	-	42,038	42,038	3,069
-	3,503	3,503	-	3,503	3,503	267
-	43,656	43,656	-	43,656	43,656	1,224
-	4,090	4,090	-	4,090	4,090	100,434
-	185,771	185,771	-	185,771	185,771	33,496
-	4,253,086	4,253,086	-	4,253,086	4,253,086	3,243,241
-	543,590	543,590	-	543,590	543,590	270,573
-	5,916	5,916	-	5,916	5,916	14,608
-	6,382,173	6,382,173	-	6,382,173	6,382,173	3,617,649
2,396,277	592,386	2,988,663	2,396,277	592,386	2,988,663	2,644,798
203,023	-	203,023	203,023	-	203,023	796,977
-	-	-	-	-	-	3,849,039
-	-	-	-	-	-	2,911,935
1,612,428	-	1,612,428	1,612,428	-	1,612,428	21,120
-	105,303	105,303	-	105,303	105,303	380,585
1,319,504	25,622	1,345,126	1,319,504	25,622	1,345,126	163,343
1,234,613	8,830	1,243,443	1,234,613	8,830	1,243,443	445,699
1,581,512	19,305	1,600,817	1,581,512	19,305	1,600,817	88,009
1,053,921	282,280	1,336,201	1,053,921	282,280	1,336,201	-
-	974,087	974,087	-	974,087	974,087	482,658
1,427,542	-	1,427,542	1,427,542	-	1,427,542	279,512
1,688,961	-	1,688,961	1,688,961	-	1,688,961	279,200
-	42,512	42,512	-	42,512	42,512	4,488
-	928	928	-	928	928	14,057
-	3,960	3,960	-	3,960	3,960	40
-	9,209	9,209	-	9,209	9,209	10,363
12,517,781	2,064,422	14,582,203	12,517,781	2,064,422	14,582,203	12,371,823

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COUNTY OF MUSKEGON, MICHIGAN
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONTINUED)
FOR THE YEAR ENDED SPETEMBER 30, 2008

Federal/Pass-through Grantor Program Title	CFDA Number	Pass-through Grantor Number	Federal Grants/Loans Awarded
U.S. Environmental Protection Agency			
Passed through the Michigan Department of Environmental Quality:			
Capitalization Grants for Clean Water State Revolving Funds - Lift Station repair and replacement	66.458	5234-01	\$ 5,804,000
Capitalization Grants for Clean Water State Revolving Funds - C-Station replacement	66.458	5232-01	2,224,600
Capitalization Grants for Clean Water State Revolving Funds - Strainer project	66.458	5236-02	150,160
Capitalization Grants for Clean Water State Revolving Funds - Cell 3 replacement	66.458	5236-01	411,480
State Grants to Reimburse Operators of Small Water Systems for Training and Certification Costs	66.471	N/A	5,000
Beach Monitoring and Notification Program Implementation Grants	66.472	N/A	<u>12,892</u>
Total U.S. Environmental Protection Agency			<u>8,608,132</u>
Federal Emergency Management Agency			
Passed through the Michigan Department of State Police:			
Emergency Services	83.544	N/A	<u>40,752</u>
U.S Department of Health and Human Services			
Passed through the Michigan Department of Community Health:			
Projects for Assistance in Transition from Homelessness (PATH)	93.150	N/A	43,500
Immunization Grants - Vaccine Provided	93.268	N/A	1,378,274
Immunization Grants - IAP Fee for service	93.268	N/A	96,569
Centers for Disease Control and Prevention - Investigations and Technical Assistance - Pandemic Flu	93.283	N/A	72,181
Centers for Disease Control and Prevention - Investigations and Technical Assistance - Breast and Cervical Cancer Screen - Coordination	93.283	N/A	66,445
Centers for Disease Control and Prevention - Investigations and Technical Assistance - Cancer - Family Planning Coordination	93.283	N/A	8,100
Centers for Disease Control and Prevention - Investigations and Technical Assistance - Emergency Preparedness	93.283	N/A	177,649
Child Care and Development Block Grant	93.575	N/A	70,000
Medical Assistance Program - Childhood Lead	93.778	N/A	32,550
Medical Assistance Program - Medicaid Outreach	93.778	N/A	7,183
Medical Assistance Program - CSHCS - Fee for Service	93.778	N/A	88,518
Medical Assistance Program - OBRA - PASARR	93.778	N/A	36,977
AIDS Prevention Activities - Health Department Based	93.940	N/A	100,052
Block Grants for Community Mental Health Services - Expansion Family Resource	93.958	N/A	34,178
Block Grants for Community Mental Health Services - Recovery	93.958	N/A	26,000
Block Grants for Community Mental Health Services - Integrated Dual Disorders	93.958	N/A	35,000
Block Grants for Community Mental Health Services - Health and Wellness Educa	93.958	N/A	12,000
Block Grants for Community Mental Health Services - Anti-stigma Campaign	93.958	N/A	30,912
Block Grants for Community Mental Health Services - Supported Employment	93.958	N/A	35,325
Block Grants for Community Mental Health Services - Recovery Cooperative	93.958	N/A	100,000
Block Grants for Community Mental Health Services - Speakers Bureau	93.958	N/A	15,000
Block Grants for Community Mental Health Services - Family Psychology	93.958	N/A	50,512
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	5,766
Sexually Transmitted Disease Control	93.997	N/A	24,643
Preventive Health and Health Services Block Grant	93.991	N/A	46,286
Maternal and Child Health Services Block Grant to the States - CSHCS - Case Man	93.994	N/A	29,769
Maternal and Child Health Services Block Grant to the States - Case Management	93.994	N/A	156,977
Maternal and Child Health Services Block Grant to the States	93.994	N/A	14,785

Federal Grants Earned			Program Expenditures Incurred			Remaining Funds Available
Prior Year	Current Year	Total	Prior Year	Current Year	Total	
\$ 5,459,509	\$ 333,843	\$ 5,793,352	\$ 5,459,509	\$ 333,843	\$ 5,793,352	\$ 10,648
-	1,433,465	1,433,465	-	1,433,465	1,433,465	791,135
-	9,800	9,800	-	9,800	9,800	140,360
411,480	-	411,480	411,480	-	411,480	-
-	5,000	5,000	-	5,000	5,000	-
-	12,892	12,892	-	12,892	12,892	-
5,870,989	1,795,000	7,665,989	5,870,989	1,795,000	7,665,989	942,143
-	40,752	40,752	-	40,752	40,752	-
-	43,500	43,500	-	43,500	43,500	-
-	1,378,274	1,378,274	-	1,378,274	1,378,274	-
-	96,569	96,569	-	96,569	96,569	-
-	72,181	72,181	-	72,181	72,181	-
-	66,445	66,445	-	66,445	66,445	-
-	8,100	8,100	-	8,100	8,100	-
-	177,649	177,649	-	177,649	177,649	-
-	70,000	70,000	-	70,000	70,000	-
-	32,550	32,550	-	32,550	32,550	-
-	7,183	7,183	-	7,183	7,183	-
-	88,518	88,518	-	88,518	88,518	-
-	36,977	36,977	-	36,977	36,977	-
-	100,052	100,052	-	100,052	100,052	-
-	26,338	26,338	-	26,338	26,338	7,840
-	23,393	23,393	-	23,393	23,393	2,607
-	35,000	35,000	-	35,000	35,000	-
-	3,067	3,067	-	3,067	3,067	8,933
-	30,912	30,912	-	30,912	30,912	-
-	32,199	32,199	-	32,199	32,199	3,126
-	94,968	94,968	-	94,968	94,968	5,032
-	11,182	11,182	-	11,182	11,182	3,818
-	43,185	43,185	-	43,185	43,185	7,327
-	5,766	5,766	-	5,766	5,766	-
-	24,643	24,643	-	24,643	24,643	-
-	46,286	46,286	-	46,286	46,286	-
-	29,769	29,769	-	29,769	29,769	-
-	156,977	156,977	-	156,977	156,977	-
-	14,785	14,785	-	14,785	14,785	-

(continued)

COUNTY OF MUSKEGON, MICHIGAN
SCHEDULE OF EXPENDITURES AND FEDERAL AWARDS (CONCLUDED)
FOR THE YEAR ENDED SPETEMBER 30, 2008

Federal/Pass-through Grantor Program Title	CFDA Number	Pass-through Grantor Number	Federal Grants/Loans Awarded
Passed through the Michigan Department of Human Services:			
Child Support Enforcement Program - Child Support Incentive Payments	93.563	N/A	\$ 268,525
Child Support Enforcement Program - Prosecutor Cooperative (IV-D Incentive)	93.563	N/A	131,655
Child Support Enforcement Program (IV-D CRP Contract)	93.563	N/A	1,164,123
Passed through the Michigan Department of Energy, Labor and Economic Growth:			
Temporary Assistance for Needy Families, Workfirst	93.558	N/A	3,262,393
Passed through the Lakeshore Coordinating Council:			
Block Grants for Prevention and Treatment of Substance Abuse	93.959	N/A	<u>103,915</u>
Total U.S. Department of Health and Human Services			<u>7,725,762</u>
U.S Department of Homeland Security			
Direct Program:			
Homeland Security Grant	97.067	N/A	129,227
Passed through the Department of Natural Resources:			
Boating Safety Financial Assistance	97.012	N/A	<u>17,949</u>
Total U.S. Department of Homeland Security			<u>147,176</u>
Total Expenditures of Federal Awards			<u><u>\$ 60,985,502</u></u>

Federal Grants Earned			Program Expenditures Incurred			Remaining Funds Available
Prior Year	Current Year	Total	Prior Year	Current Year	Total	
\$ -	\$ 268,525	\$ 268,525	\$ -	\$ 268,525	\$ 268,525	\$ -
-	123,859	123,859	-	123,859	123,859	7,796
-	1,106,376	1,106,376	-	1,106,376	1,106,376	57,747
-	3,219,450	3,219,450	-	3,219,450	3,219,450	42,943
-	103,915	103,915	-	103,915	103,915	-
-	7,578,593	7,578,593	-	7,578,593	7,578,593	147,169
-	129,227	129,227	-	129,227	129,227	-
-	17,723	17,723	-	17,723	17,723	226
-	146,950	146,950	-	146,950	146,950	226
\$ 21,030,019	\$ 22,102,543	\$ 43,132,562	\$ 21,030,019	\$ 22,102,543	\$ 43,132,562	\$ 17,852,940

(concluded)

COUNTY OF MUSKEGON, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2008

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

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

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

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)
11.300	Investments for Public Works & Economic Development Facilities
14.228	Community Development Block Grant
17.258 - 17.260	WIA Cluster
66.458	Capitalization Grants for Clean Water State Revolving Funds
93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance Program

Dollar threshold used to distinguish between Type A and Type B programs:	_____ \$ 609,763
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Auditee qualified as low-risk auditee?	_____ yes	_____ X no
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COUNTY OF MUSKEGON, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended September 30, 2008

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters reported. In addition, no management letter comments were issued.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2008-1 – Timesheet Processing and Review

Immaterial Noncompliance / Significant Deficiency in Internal Controls over Compliance Allowable Costs/Cost Principles

CFDA 10.557 - U.S. Department of Health and Human Services – Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

CFDA 11.300 - U.S. Department of Economic Development Administration – Investments for Public Works & Economic Development Facilities

CFDA 93.778 - U.S. Department of Health and Human Services – Medical Assistance Program

Criteria: Personnel charges to federal programs (such as those identified above) must be documented for co-funded and 100% funded staff in compliance with OMB Circular A-87, Attachment B, Item 8h.

Condition: The County did not consistently allocate personnel charges to federal programs based on allowable methods. In a sample of 58 payroll transactions selected for testing, we noted 6 discrepancies between timesheets and the amount actually charged to the respective federal programs and 1 discrepancy between an employee's rate of pay and rate charged to the respective federal program. For the WIC and Medical Assistance programs, one employee that had time charged to both grants was allocated incorrectly throughout the year. For the Medicaid program, two employees' hours were in disagreement between time logs and hours charged to the program. For the Investment for Public Works and Economic Development Facilities grant, no discrepancies were noted, however, timesheets selected for testing were not subject to independent review and approval.

Cause: This condition was caused by the respective departments lacking sufficient procedures in place to provide reasonable assurance that payroll related costs were charged to federal programs in accordance with applicable compliance requirements.

Effect: As a result of this condition, the County failed to fully comply with the documentation requirements for personnel services set by federal cost principles. In addition, while the discrepancies noted in the current year were immaterial, and actually resulted in under-reporting costs of federal programs, the County is nevertheless exposed to the risk that future discrepancies could be significant and not be prevented or detected and corrected in a timely manner.

COUNTY OF MUSKEGON, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended September 30, 2008

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

Finding 2008-1 – Timesheet Processing and Review (Concluded)

Questioned Costs: No costs were required to be questioned as a result of this finding, as in each case the respective federal grants were under-charged.

Recommendation: We recommend that the County review payroll documentation procedures for federal grants with all County departments to ensure uniform compliance.

View of Responsible Officials: The County has informed the departments of the discrepancies in timekeeping for federal programs for the Medicaid, medical assistance and WIC programs. They have been directed to immediately change to an approved method of allocation and to retroactively go back to the first of the fiscal year to correct for prior periods. The Public Works and Economic Development grants overseeing department has been instructed to have a documented independent review and approval of time records at least monthly.

2008-2 – Allocation of Co-funded Salaries Expense Immaterial Noncompliance / Significant Deficiency in Internal Controls over Compliance Allowable Costs/Cost Principles

**CFDA 17.258, 17.259, & 17.260 - U.S. Department of Labor - Workforce Investment Act
CFDA 20.507 - U.S. Department of Transportation – Federal Transit**

Criteria: In accordance with OMB Circular A-87, payroll expenses for employees who work on multiple activities or cost objectives must be supported by actual timesheets or personnel activity reports that meet the following standards:

- Reflect an after-the-fact distribution of actual activity
- Account for all of the employees' compensated time
- Prepared monthly and coincide with specific pay periods
- Signed by the employee

Condition: During the current year, the County allocated payroll charges to federal programs based on pre-determined percentages. However, these percentages were based on budgets and were not adjusted based on actual time incurred, even though such time was tracked through monthly time logs.

Cause: This condition is a result of misunderstanding of federal cost principles for personnel costs by program administrators.

Effect: As a result of this condition, the Organization failed to fully comply with the documentation requirements for personnel services set by federal cost principles.

COUNTY OF MUSKEGON, MICHIGAN

Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended September 30, 2008

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

2008-2 –Allocation of Co-funded Salaries Expense (Concluded)

Questioned Costs: No costs were required to be questioned as a result of this finding, inasmuch as the variances between allowable amounts and the amounts actually charged to federal programs were insignificant. However, the County is nevertheless exposed to the risk that future variances could be significant and not be prevented or detected and corrected in a timely manner.

Recommendation: We recommend that management implement a system in which an after-the-fact distribution of actual activity is recorded in the general ledger and supported by appropriate documentation as described above.

View of Responsible Officials: The County has informed the Department of Employment and Training to:

- Adjust the predetermined time charge at least quarterly to actual time logs as documented by signed monthly time records.
- Prepare, at least monthly, time records that each employee with split time, documents and signs for chargeable purposes.
- Account for all paid time.

In addition, all departments that have federal programs where a personnel activity report is required, will be required to attend at least one session of recording time in accordance with 2 CFR part 225.

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

There were no prior audit findings.

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