

**COUNTY OF MARQUETTE, MICHIGAN
FEDERAL FINANCIAL ASSISTANCE
For the Year Ended December 31, 2008**

TABLE OF CONTENTS

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	3
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	5
Independent Auditors' Report.....	7
Schedule of Expenditures of Federal Awards	9
Notes to Schedule of Expenditures of Federal Awards.....	11
Schedule of Findings and Questioned Costs	12
Schedule of Prior Year Findings and Questioned Costs.....	14



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*

The Board of Commissioners of the
County of Marquette, Michigan
234 W. Baraga Avenue
Marquette, Michigan 49955

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 Marquette, Michigan, as of and for the year ended December 31, 2008, which collectively comprise the County of Marquette, Michigan's basic financial statements and have issued our report thereon dated June 1, 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 Marquette, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Marquette, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Marquette, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

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 assign functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affect the County of Marquette, Michigan'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 County of Marquette, Michigan's financial statements that is more than inconsequential will not be prevented or detected by the County of Marquette, Michigan's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting as items 08-01.

The Board of Commissioners of the
County of Marquette, Michigan

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 County of Marquette, Michigan'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. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Marquette, 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 instances of noncompliance or other matters that are required to be reported under *Governmental Auditing Standards* and are described in the accompanying schedule of findings and questioned costs as items 08-02.

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

This report is intended solely for the information and use of the management, board, others within the entity, 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.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

June 1, 2009



ANDERSON, TACKMAN & COMPANY, P.L.C.

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

The Board of Commissioners of the
County of Marquette, Michigan
234 W. Baraga Avenue
Marquette, Michigan 49955

Compliance

We have audited the compliance of the County of Marquette, 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 its major federal programs for the year ended December 31, 2008. The County of Marquette, 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 Marquette, Michigan's management. Our responsibility is to express an opinion on the County of Marquette, Michigan's compliance based on our audit.

The County of Marquette, Michigan's basic financial statement include the operations of the Marquette County Road Commission, a Component Unit of the County of Marquette, Michigan, which received \$3,811,753 in federal awards that is not included in the schedule during the year ended December 31, 2008. Our audit, described below, did not include the operations of the Marquette County Road Commission, a Component Unit of the County of Marquette, Michigan because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

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 Marquette, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit report provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of Marquette, Michigan's compliance with those requirements.

In our opinion, the County of Marquette, Michigan 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 December 31, 2008.

The Board of Commissioners of the
County of Marquette, Michigan

Internal Control Over Compliance

The management of the County of Marquette, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Marquette, Michigan's internal control over compliance with the 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 Marquette, 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 entity's internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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 affect the County of Marquette, Michigan's ability to administer a federal program such that there is more than a remote likelihood that a 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 items 08-1 through 08-2 to be significant deficiencies.

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 Marquette, Michigan, as of and for the year ended December 31, 2008, and have issued our report thereon dated June 1, 2009. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County of Marquette, Michigan's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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, are fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

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

This report is intended solely for the information and use of management, the County Board of Commissioners, others within the entity, 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.

Anderson, Tackman & Company, PLLC
Certified Public Accountants

June 1, 2009



ANDERSON, TACKMAN & COMPANY, P.L.C.

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INDEPENDENT AUDITORS' REPORT

The Board of Commissioners of the
County of Marquette, Michigan
234 W. Baraga Avenue
Marquette, Michigan 49955

We have audited the accompanying financial statements of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Marquette, Michigan, as of and for the year ended December 31, 2008, which collectively comprise the County of Marquette, Michigan's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County of Marquette, Michigan's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Marquette County Medical Care Facility, which represents 16 percent, 15 percent, and 67 percent, respectively, of the assets, net assets, and revenues of the Business-type activities. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Marquette County Medical Care Facility, is based on the report of the other auditors. We did not audit the financial statements of the Marquette County Road Commission, which represents 94 percent, 98 percent, and 99 percent, respectively, of the assets, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for Marquette County Road Commission, is based on the report of the other auditors.

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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the County of Marquette, Michigan, as of December 31, 2008, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Board of Commissioners of the
County of Marquette, Michigan

In accordance with *Government Auditing Standards*, we have also issued our report dated June 1, 2009, on our consideration of the County of Marquette, Michigan's internal control over financial reporting and our tests of its compliance with certain provision of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages 5 through 11 and 49 and 52, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Marquette, Michigan's basic financial statements. The combining and individual fund nonmajor financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Anderson, Tackman & Company, PLC
Certified Public Accountants

June 1, 2009

County of Marquette, Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2008

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>2008 Federal Expenditures</u>
U.S. Department of Agriculture			
Passed through the Michigan Department of Education			
Bonus Commodities	10.550	520008001	\$ 13
Entitlement Commodities	10.550	520008001	1,921
Sub-Total			<u>1,934</u>
Passed through the Michigan Department of Education			
National School Lunch Breakfast	10.553	520008001	5,099
Passed through the Michigan Department of Education			
National School Lunch Program	10.555	520008001	4,796
Passed through the Michigan Department of Community Health			
Women, Infants, and Children Program	10.557	XX4W1006	192,325
Passed through the Michigan Department of Natural Resources			
Schools and Roads Grant	10.665	N/A	14,606
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>218,760</u>
U.S. Department of Housing & Urban Development			
Passed through the Michigan Broadband Development Authority			
Digital Divide Investment Program	14.228	MBDA-002-2006	304,610
Passed through the Michigan Department of Housing Development			
Community Development Block Grant	14.228	MSC-2005-0743	52,320
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>356,930</u>
U.S. Department of Housing and Urban Development			
Passed through the Michigan Department of Community Health			
HOPWA	14.241	MI28H95-FO36	44,088
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>44,088</u>
U.S. Department of Justice			
Passed through UPSET			
Safe Trails	16.308	N/A	410
Passed through the Office of Drug Control Policy			
UPSET	16.579	N/A	30,538
Passed through the Office of Justice Programs			
Domestic Violence Grant	16.589	N/A	37,414
Passed through the Bureau of Justice Assistance			
GREAT for Gwinn Area Community Schools	16.737	N/A	110,576
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>178,938</u>
U.S. Department of Transportation			
Passed through the Michigan Department of Transportation (SEE NOTE D)			
Airport Improvement Projects	20.106	3-26-0153-1705	1,049,357
Airport Improvement Projects	20.106	3-26-0153-2207	506,321
Sub-Total			<u>1,555,678</u>
Passed through the Michigan State Police			
Drive Michigan Safely	20.600	N/A	21,308
SABRE	20.600	N/A	11,082
BATmobile	20.600	N/A	2,431
Youth Alcohol Enforcement	20.600	N/A	19,571
Sub-Total			<u>54,392</u>
Passed through the Michigan State Police			
Child Passenger Safety	20.604	N/A	108,047
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>1,718,117</u>

Federal Grantor/Pass-Through Grantor/Program Title	CFDA Number	Pass-Through Grantor Number	2008 Federal Expenditures
U.S. Environmental Protection Agency			
Passed through the Michigan Department of Environmental Quality			
Capitalization Grant Drinking Water Revolving Fund	66.468	FS97548704	\$ 263
Operator Training Certification Program	66.471	CT975861	1,400
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>1,663</u>
U.S. Department of Health and Human Services			
Passed through the Michigan Department of Community Health			
Family Planning	93.217	05H000173	35,887
Family Planning	93.217	05H000173	13,565
Sub-Total			<u>49,452</u>
Federal Vaccine Shipped at Cost	93.268	NA	431,147
Immunization - Field Reprehensive	93.268	H23-CCH522556	87,047
Immunization - IAP	93.268	H23-CCH522556	20,968
Immunization - Vaccine Handling	93.268	H23-CCH522556	5,153
Sub-Total			<u>544,315</u>
Bio-Terrorism - Focus A	93.283	CCU517018	144,194
Bio-Terrorism - Pan Flu	93.283	CCU517018	51,878
Cancer - BCCCP Coordination	93.283	U57-CCU506738	34,338
Cancer - Family Planning Coordination	93.283	U57-CCU506738	2,640
Sub-Total			<u>233,050</u>
Passed through the Michigan Department of Human Services			
FOC - Cooperative Reimbursement	93.563	CS/FOC-08-52001	490,036
PA - Cooperative Reimbursement	93.563	CS/PA-08-052002	168,872
ADC - Incentive	93.563	CS/FOC-08-52001	80,830
Sub-Total			<u>739,738</u>
Passed through the Michigan Department of Community Health			
Medicaid Administration - Case Management Services	93.778	B1MIMCHS	14,125
AIDS/HIV Referral & Care - CPBC	93.917	BRX 070044	11,900
AIDS/HIV Referral & Care - CPBC	93.917	BRX 070044	23,100
Sub-Total			<u>35,000</u>
CDI - Chronic Disease Prevention	93.991	B1 MI PRVS	10,000
Maternal/Child Health Service Block Title V - Case Management Services		B1MIMCHS	10,932
Maternal/Child Health Service Block Title V - Local Match	93.994	B1MIMCHS	44,048
Sub-Total			<u>54,980</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,680,660</u>
Corporation for National and Community Service			
Direct Award			
Retired & Senior Volunteer Program	94.002	94002	7,900
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			<u>7,900</u>
U.S. Department of Homeland Security			
Passed through the Michigan Department of Natural Resources			
2007 Marine Safety Program	97.012	1/MS2007-FED	29,571
2008 Marine Safety Program	97.012	1/MS2008EQUIP	106,503
Sub-Total			<u>136,074</u>
Passed through the Michigan Department of State Police			
Emergency Management Performance Grant	97.042	NA	26,623
Passed through the Transportation Security Administration			
Airport Security	97.067	HSTS0208HSLR255	151,334
Passed through the County of Houghton, Michigan			
2007 Homeland Security	97.067	NA	22,284
2008 Homeland Security	97.067	NA	29,097
Passed through the Michigan Department of State Police			
Sub-Total			<u>51,381</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>365,412</u>
TOTAL EXPENDITURES OF FEDERAL FINANCIAL ASSISTANCE			<u>\$ 4,572,468</u>

COUNTY OF MARQUETTE, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2008

NOTE A – BASIS OF PRESENTATION:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Marquette, Michigan and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B – OVERSIGHT AGENCY:

The U.S. Department of Transportation is the current year's oversight agency for the single audit as determined by the agency providing the largest share of the County's federal financial assistance.

NOTE C – PASS-THROUGH GRANTOR'S NUMBER:

The Pass-Through grantor's number represents the Facility's provider I.D. number. Such other I.D. numbers were not available or provided by State administering agencies.

NOTE D – ROAD COMMISSION:

The County of Marquette, Michigan's basic financial statement include the operations of the Marquette County Road Commission, a Component Unit of the County of Marquette, Michigan, which received \$3,811,753 in federal awards that is not included in the schedule during the year ended December 31, 2008. Our audit, described below, did not include the operations of the Marquette County Road Commission, a Component Unit of the County of Marquette, Michigan because the component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133.

NOTE E – AIRPORT IMPROVEMENT PROJECTS:

During the year ended December 31, 2008, the Airport received and expended \$1,555,678 in federal funding. Projects utilizing this aid were administered by the Michigan Bureau of Aeronautics and will be audited for compliance by the State of Michigan. The State of Michigan is responsible for including these projects in its schedule of expenditures of Federal Awards.

COUNTY OF MARQUETTE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2008

Section I - Summary of Auditors' Results

Financial Statements

- Type of auditors' report issued: Unqualified.
- Internal control over financial reporting:
No material weaknesses were identified.
Significant Deficiencies' were reported (refer to Section II).
- Noncompliance items in the basic financial statements were identified (refer to Section II).

Federal Awards

- Internal Control over major programs:
No material weaknesses were identified.
No significant deficiencies not considered to be material weaknesses were identified.
- Type of auditors' report issued on compliance for major programs: Unqualified.
- There were no audit findings that are required to be reported in accordance with Circular A-133, Section .510(a).

Major Programs

CFDA #: Name of Federal Program:

93.268 Immunization Cluster

93.563 Cooperative Reimbursements

- Dollar threshold used to distinguish between Type A and Type B programs: \$300,000.
- Auditee qualified as low-risk auditee? Yes.

Section II – Financial Statement Findings

- The following significant deficiency item was noted:

Significant Deficiencies

08-01 (REPEAT) Condition/Criteria: At December 31, 2008 the County of Marquette, Michigan had cash deficits in several of their funds, as shown in Footnotes to the financial statements.

Effect: The advances become permanent working capital loans.

Cause of Condition: Cash advances and funding of accounts receivable are not being repaid in a timely fashion.

Recommendation: The County of Marquette, Michigan needs to monitor all advances such that they do not become permanent working capital loans.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Sue Vercoe, Controller
- Corrective Action Planned:
 - The timing of advances and accounts receivable payments will be closely monitored.
- Anticipated Completion Date:
 - December 31, 2009

Instances of Non-compliance

08-02 (REPEAT) Condition/Criteria: Public Act 621 of 1978, Section 18 (1) as amended, provides that counties shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County of Marquette, Michigan had actual expenditures and budgeted expenditures as shown in Footnotes to the Financial Statements. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended December 31, 2008, the County of Marquette, Michigan incurred functional expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

Effect: The County of Marquette, Michigan is not in compliance with State Law.

Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures. The funds reporting budget violations are grant funded programs with fiscal budget years that differ from the audit report period. Expenditures are in compliance with the separate fiscal year grant budgets.

Recommendation: The County of Marquette, Michigan should strictly control expenditures in each governmental fund so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly. The County should continue their practice of monitoring grant funded expenditures for programs with different fiscal year periods.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Sue Vercoe, Controller
- Corrective Action Planned:
 - The budget will be more closely monitored and budget amendments will be made accordingly.
- Anticipated Completion Date:
 - December 31, 2009

Section III – Federal Award Findings and Questioned Costs

- There were no findings and questioned costs relating to the County's major programs.

COUNTY OF MARQUETTE, MICHIGAN
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2008

Section I – Summary of Auditors’ Results

- None

Section II – Financial Statement Findings

- The following noncompliance item was noted:

Significant Deficiencies

07-01 (REPEAT) Condition/Criteria: At December 31, 2007 the County of Marquette, Michigan had cash deficits in several of their funds, as shown in Footnotes to the financial statements.

Effect: The advances become permanent working capital loans.

Cause of Condition: Cash advances and funding of accounts receivable are not being repaid in a timely fashion.

Recommendation: The County of Marquette, Michigan needs to monitor all advances such that they do not become permanent working capital loans.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Sue Vercoe, Controller
- Corrective Action Planned:
 - The timing of advances and accounts receivable payments will be closely monitored.
- Anticipated Completion Date:
 - December 31, 2008

Instances of Non-compliance

07-02 (REPEAT) Condition/Criteria: Public Act 621 of 1978, Section 18 (1) as amended, provides that counties shall not incur expenditures in excess of the amount appropriated. In the body of the financial statements, the County of Marquette, Michigan had actual expenditures and budgeted expenditures as shown in Footnotes to the Financial Statements. The approved budgets of these funds were adopted on an activity and/or program level. During the year ended December 31, 2007, the County of Marquette, Michigan incurred functional expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

Effect: The County of Marquette, Michigan is not in compliance with State Law.

Cause of Condition: Failure to amend the budgets during the year based on the level of expenditures.

Recommendation: The County of Marquette, Michigan should strictly control expenditures in each governmental fund so as not to exceed the original appropriation. When this is not possible, the budget should be amended accordingly.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Sue Vercoe, Controller
- Corrective Action Planned:
 - The budget will be more closely monitored and budget amendments will be made accordingly.
- Anticipated Completion Date:
 - December 31, 2008

Significant Deficiencies

07-03 – SEGREGATION OF DUTIES – WATER/SEWER UTILITY BILLINGS

Condition/Criteria: The accounting staff for the Water/Sewer Utility Billing's Department made up of one individual, which does not allow for segregation of duties.

Effect: Because of the limited staff, there is an increased chance that misstatements in financial statements would not be prevented or detected on a timely basis.

Cause of Condition: The size of the organization's accounting staff at the Utilities Department precludes certain internal design controls that would be preferred in the office if staffing were large enough to provide optimum segregation of duties.

Recommendation: We recommend that the Accounting Department continue to closely monitor the day to day operations of the water and Sewer Utility Department.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Sue Vercoe, Controller
- Corrective Action Planned:
 - The County of Marquette, Michigan is reviewing the accounting policies and procedures for the entire County to develop improved internal control polices.
- Anticipated Completion Date:
 - December 31, 2008

Significant Deficiencies

07-04 – INTERNAL CONTROL OVER DISBURSEMENTS

Condition/Criteria: When reviewing the disbursement procedures of the County of Marquette, Michigan we noted the following issues regarding proper internal control over the Disbursement process: Signed Checks are kept in a regular cabinet prior to disbursement and the review of checks and supporting documentation is not being documented.

Effect: Because of the missing internal controls, there is an increased chance that misstatements in financial statements would not be prevented or detected on a timely basis.

Cause of Condition: The internal control over the disbursement process has not been reviewed, updated or monitored for the past few years.

Recommendation: We recommend that the Accounting Department review and improve the internal controls over the disbursement process of the County of Marquette, Michigan.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Sue Vercoe, Controller
- Corrective Action Planned:
 - The County of Marquette, Michigan is reviewing the accounting policies and procedures for the entire County to develop improved internal control polices.
- Anticipated Completion Date:
 - December 31, 2008

Significant Deficiencies

07-05 – INTERNAL CONTROL OVER BANK ACCOUNTS AND RECONCILIATIONS

Condition/Criteria: When reviewing the bank reconciliation process with noted that there are several bank accounts that are not in the Treasurer’s name and Reconciliations are not being completed between the off-site locations and the Treasurer’s Office. According to the Accounting Procedures Manual, the county treasurer must reconcile each month’s bank statement and provide the off-site location with a copy of the bank reconciliation. Additionally, the Accounting Procedures Manual requires that all County bank accounts are in the Treasurer’s Name.

Effect: Because of the missing accounts and reconciliations, there is an increased chance that misstatements in financial statements or misappropriation of cash would not be prevented or detected on a timely basis.

Cause of Condition: The off-site locations are not following the Accounting Procedures Manual.

Recommendation: We recommend that the Accounting Department & Treasurer’s Office review and improve the bank reconciliation process of the County of Marquette, Michigan.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Anne Giroux, County Treasurer
- Corrective Action Planned:
 - The County of Marquette, Michigan is reviewing the accounting policies and procedures for the entire County to develop improved internal control polices.
- Anticipated Completion Date:
 - December 31, 2008

Section III – Federal Award Findings and Questioned Costs

- There were no findings and questioned costs relating to the County’s major programs.