

**COUNTY OF MARQUETTE, MICHIGAN
FEDERAL FINANCIAL ASSISTANCE
For the Year Ended December 31, 2009**

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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, 2009, which collectively comprise the County of Marquette, Michigan's basic financial statements and have issued our report thereon dated May 31, 2010. 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.

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.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

The Board of Commissioners of the
County of Marquette, Michigan

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 which are described in the accompanying schedule of findings and questioned costs as items 09-01 through 09-03.

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, 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, Jackman & Company, PLLC
Certified Public Accountants

May 31, 2010



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, 2009. 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 \$2,608,380 in federal awards that is not included in the schedule during the year ended December 31, 2009. 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 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, 2009. 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 section III of the accompanying schedule of findings and questioned costs as items 09-02 and 09-03.

Internal Control Over Compliance

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 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 of Marquette, Michigan'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.

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 deficiencies, 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.

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, 2009, and have issued our report thereon dated May 31, 2010, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements taken as a whole. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records use to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The Board of Commissioners of the
County of Marquette, Michigan

The County of Marquette, Michigan's response to the findings in our audit are 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

May 31, 2010



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

CERTIFIED PUBLIC ACCOUNTANTS

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JOHN W. BLEMBERG, CPA

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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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of County of Marquette, Michigan, as of and for the year ended December 31, 2009, 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 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 Marquette County Medical Care Facility, which represent 16 percent, 15 percent, and 65 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 Marquette County Road Commission, which represent 95 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 the 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, 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 December 31, 2009, and the respective changes in financial position, and cash flows, where applicable, 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 May 31, 2010, on our consideration of the County of Marquette, Michigan's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County of Marquette, Michigan's financial statements as a whole. The combining and individual non-major fund financial statements are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements (which is included in a separate report). The combining and individual non-major fund financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of other auditors the information is fairly stated in all material respects in relation to the financial statements as a whole.

Anderson, Jackman & Co, PLLC

Certified Public Accountants

May 31, 2010

County of Marquette, Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>2009 Federal Expenditures</u>
U.S. Department of Agriculture			
Passed through the Michigan Department of Education			
Bonus Commodities	10.550	520008001	\$ 717
Entitlement Commodities	10.550	520008001	418
Sub-Total	10.550		<u>1,135</u>
Passed through the Michigan Department of Education			
National School Lunch Breakfast	10.553	520008001	6,396
Passed through the Michigan Department of Education			
National School Lunch Program	10.555	520008001	5,559
Passed through the Michigan Department of Community Health			
Women, Infants, and Children Program	10.557	IW100342	192,954
Passed through the Michigan Department of Natural Resources			
Schools and Roads Grant	10.665	N/A	34,573
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>240,617</u>
U.S. Department of Housing & Urban Development			
Passed through the Michigan Broadband Development Authority			
Digital Divide Investment Program	14.228	MBDA-002-2006	721,390
Passed through the Michigan Department of Housing Development			
Community Development Block Grant	14.228	MSC-2009-0743	404,895
Sub-Total	14.228		<u>1,126,285</u>
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>1,170,373</u>
U.S. Department of Justice			
Passed through UPSET			
Safe Trails	16.308	N/A	7,288
Passed through the State of Michigan			
Juvenile Accountability Block Grant	16.523	N/A	19,583
Passed through the Office of Drug Control Policy			
UPSET	16.579	N/A	22,308
Passed through the Office of Justice Programs			
Domestic Violence Grant	16.589	N/A	-
Passed through the Bureau of Justice Assistance			
GREAT for Gwinn Area Community Schools	16.737	N/A	108,946
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>158,125</u>
U.S. Department of Transportation			
Passed through the Michigan Department of Transportation (SEE NOTE D)			
Airport Improvement Projects	20.106	3-26-0153-2307	1,302,972
Passed through the Michigan State Police			
Drive Michigan Safely	20.600	N/A	20,895
Youth Alcohol Enforcement	20.600	N/A	10,733
Sub-Total	20.600		<u>31,628</u>
Passed through the Michigan Supreme Court State Court Administrative Office			
DWI Drug Treatment Court	20.601	SCAO-2009-081	70,928
Passed through the Michigan State Police			
Child Passenger Safety	20.604	N/A	115,867
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>1,521,395</u>
U.S. Environmental Protection Agency			
Passed through the Michigan Department of Environmental Quality			
Capitalization Grant Drinking Water Revolving Fund	66.468	20060113	300
Operator Training Certification Program	66.471	20060113	438
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>738</u>

County of Marquette, Michigan
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2009

<u>Federal Grantor/Pass-Through Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Pass-Through Grantor Number</u>	<u>2009 Federal Expenditures</u>
U.S. Department of Health and Human Services			
Passed through UPCAP Services Inc. Title IIIB - Homemaker	93.044	NA	\$ 35,283
Sub-Total	93.044		<u>35,283</u>
Passed through the Michigan Department of Community Health Family Planning	93.217	05H000173	\$ 35,887
Family Planning	93.217	05H000173	14,067
Sub-Total	93.217		<u>49,954</u>
Federal Vaccine Shipped at Cost	93.268	NA	73,766
Immunization - Field Reprehensive	93.268	H23-CCH522556	101,056
Immunization - IAP	93.268	H23-CCH522556	21,055
Sub-Total	93.268		<u>195,877</u>
Bio-Terrorism - Focus A	93.283	CCU517018	109,772
Cancer - BCCCP Coordination	93.283	U57-CCU506738	34,338
Cancer - Family Planning Coordination	93.283	U57-CCU506738	2,640
Sub-Total	93.283		<u>146,750</u>
Passed through the Michigan Department of Human Services FOC - Cooperative Reimbursement	93.563	CS/FOC-08-52001	525,260
PA - Cooperative Reimbursement	93.563	CS/PA-08-052002	177,554
ADC - Incentive	93.563	CS/FOC-08-52001	81,242
Sub-Total	93.563		<u>784,056</u>
Passed through the Michigan Department of Community Health Medicaid Administration - Case Management Services	93.778	5XX05MI5048	14,148
Sub-Total	93.778		<u>14,148</u>
Maternal/Child Health Service Block Title V - Case Management Services	93.994	B1MIMCHS	10,701
Maternal/Child Health Service Block Title V - Local Match	93.994	B1MIMCHS	44,048
Sub-Total	93.994		<u>54,749</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,280,817</u>
Corporation for National and Community Service			
Direct Award Retired & Senior Volunteer Program	94.002	94002	7,363
TOTAL CORPORATION FOR NATIONAL AND COMMUNITY SERVICE			<u>7,363</u>
U.S. Department of Homeland Security			
Passed through the Michigan Department of Natural Resources 2008 Marine Safety Program	97.012	1/MS2008EQUIP	30,396
Sub-Total	97.012		<u>30,396</u>
Passed through the Michigan Department of State Police Emergency Management Performance Grant	97.042	NA	30,064
Passed through the Transportation Security Administration Airport Security	97.067	HSTS0208HSLR255	151,204
Passed through the County of Houghton, Michigan 2006 Homeland Security	97.067	NA	18,853
2007 Homeland Security	97.067	NA	3,860
Passed through the Michigan Department of State Police 2007 Homeland Security	97.067	101-530166-4454000	9,258
2007 Michigan Citizen Corps Program	97.067	NA	1,288
Sub-Total	97.067		<u>184,463</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>244,923</u>
TOTAL EXPENDITURES OF FEDERAL FINANCIAL ASSISTANCE			<u>\$ 4,624,351</u>

COUNTY OF MARQUETTE, MICHIGAN
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended December 31, 2009

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 Housing and Urban Development 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 \$2,608,380 in federal awards that is not included in the schedule during the year ended December 31, 2009. 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, 2009, the Airport received and expended \$1,454,176 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, 2009

Section I – Summary of Auditors’ Results

Financial Statements

- Type of auditors’ report issued: Unqualified.
- Internal control over financial reporting:
 No material weaknesses were identified.
 No significant deficiencies were reported.
- 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 instances of noncompliance that are required to be reported in accordance with Circular A-133, Section .510(a). (refer to Section III).

Major Programs

<u>CFDA #:</u>	<u>Name of Federal Program:</u>
14.228	Digital Divide Investment Program
14.228	Community Development Block Grant
93.563	FOC – Cooperative Reimbursement
93.563	PA- Cooperative Reimbursement
93.563	ADC - Incentive

- 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:

Instances of Non-compliance

09-01 (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, 2009, the County of Marquette, Michigan incurred functional expenditures which were in excess of the amounts appropriated as shown within the basic financial statements.

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.

COUNTY OF MARQUETTE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2009

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

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, 2010

Section III – Federal Award Findings and Questioned Costs

Instances of Non-compliance

09-02 Condition/Criteria: The CDBG grant agreement for CDBG Grant # MSC-2009-074743-HOA, effective January 1, 2009, between Michigan State Housing Development Authority and the County of Marquette, Michigan requires that “Financial Status Reports (FSR), commonly referred to as ‘payment requests’ are due by the 15th of the month following the report period. Payment requests should be submitted at least quarterly but not more than monthly.” The County of Marquette submitted one FSR for the period January 1, 2009, through February 11, 2010 rather than on at least a quarterly basis as required by the CDBG grant agreement.

Cause of Condition: Increased grant activity in 2009 over previous years shifted the focus of staff to ensure recipients’ needs were met and thus the filing of the FSR’s was overlooked.

Effect: The County of Marquette, Michigan is not in compliance with the conditions of the CDBG grant agreement for CDBG Grant # MSC-2009-074743-HOA effective January 1, 2009.

Recommendation: The County of Marquette, Michigan should more closely monitor the requirements of its grant agreements to ensure proper compliance with grant requirements.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Sue Vercoe, Controller
- Corrective Action Planned:
 - Grant agreements will be closely monitored.
- Anticipated Completion Date:
 - December 31, 2010

09-03 Condition/Criteria: The Financial Status Reports (FSR’s) for the CDBG grant agreements between Michigan State Housing Development Authority and the County of Marquette, Michigan requires that “the Grantee shall retain all financial records, supporting documents, statistical records, and all other pertinent records for a period of four (4) years.” The FSR’s filed are based on an estimate of percentage-of-completion for the rehabilitations in progress, but there is no documentation maintained to support the how the percentage of completion is determined for FSR filing as the expenditures listed on the FSR’s do not agree to expenditures listed in the general ledger.

COUNTY OF MARQUETTE, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2009

Cause of Condition: Failure to adequately document and retain how percentage-of-completion expenditures listed on the FSR's are determined and reconcile to the general ledger.

Effect: The County of Marquette, Michigan is not in compliance with the conditions of the CDBG grant agreements.

Recommendation: The County of Marquette, Michigan should document and maintain support for the expenditures listed on FSR's filed under the CDBG grant agreements and reconcile those expenditures on the FSR's to the general ledger.

Management Response – Corrective Action Plan:

- Contact Person(s) Responsible for Correction:
 - Sue Vercoe, Controller
- Corrective Action Planned:
 - Expenditures listed on FSR's filed under CDBG grant agreements will be adequately documented and reconciled to the general ledger.
- Anticipated Completion Date:
 - December 31, 2010

COUNTY OF MARQUETTE, MICHIGAN
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2009

Section I – Summary of Auditors’ Results

- None

Section II – Financial Statement Findings

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.

COUNTY OF MARQUETTE, MICHIGAN
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
For the Year Ended December 31, 2009

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.