

**EATON COUNTY,
MICHIGAN**

SINGLE AUDIT ACT COMPLIANCE

For the Year Ended September 30, 2010

**EATON COUNTY, MICHIGAN
SINGLE AUDIT ACT COMPLIANCE**

Table of Contents

Year Ended September 30, 2010

| | <u>PAGE</u> |
|--|-------------|
| Independent Auditors' Report on Schedule of Expenditures of Federal Awards..... | 1 |
| Schedule of Expenditures of Federal Awards | 2-4 |
| Notes to Schedule of Expenditures of Federal Awards | 5 |
| 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 <i>Government Auditing Standards</i> | 6-7 |
| Independent Auditors' Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133..... | 8-9 |
| Schedule of Findings and Questioned Costs | 10-12 |

* * * * *

**INDEPENDENT AUDITORS' REPORT ON
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

March 4, 2011

The Board of Commissioners
of Eaton County, Michigan
Charlotte, 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 *EATON COUNTY, MICHIGAN* as of and for the year ended September 30, 2010, and have issued our report thereon dated March 4, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County'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, *Audits of States, Local Governments and Nonprofit Organizations*, 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 basic financial statements taken as a whole.



EATON COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2010

| Federal/Pass-through Grantor Program Title | CFDA Number | Pass-through Grantor Number | Federal Expenditures |
|--|----------------|-----------------------------------|-------------------------|
| U.S. Department of Agriculture | | | |
| Passed-through Michigan Department of Education: | | | |
| School Breakfast Program | 10.553 | 230008001 | \$ 17,645 |
| National School Lunch Program | 10.555 | 230008001 | 26,966 |
| Special Snack Program | 10.555 | 230008001 | 3,350 |
| Food Entitlement | 10.550 | 230008001 | 1,552 |
| Passed-through Michigan Department of Community Health - Women, Infants and Children | | | |
| | 10.557 | | <u>494,827</u> |
| Total U.S. Department of Agriculture | | | <u>544,340</u> |
| U.S. Department of Housing and Urban Development | | | |
| Passed-through the Michigan State Housing Development Authority: | | | |
| Community Development Block Grant | 14.228 | | 83,607 |
| Home Grant - City of Charlotte | 14.239 | | 32,518 |
| Home Grant | 14.239 | | <u>106,337</u> |
| Total U.S. Department of Housing and Urban Development | | | <u>222,462</u> |
| U.S. Department of Justice | | | |
| Direct Programs: | | | |
| Organized Crime Drug Enforcement Task Recovery Act - Edward Byrne Memorial Justice Assistance Grant | 16.XXX | | 4,768 |
| State Criminal Alien Assistance Program | 16.804 | 2009-SB-B9-2345 | 1,978 |
| Bulletproof Vest Partnership Program | 16.606 | 2009APBX0603 | 2,594 |
| Edward Byrne Memorial Justice Assistance Grant | 16.607 | 2009BOCX0613 | 12,189 |
| | 16.579 | 2009-DJ-BX-0217 | 15,969 |
| Passed-through Michigan Department of Human Services: | | | |
| Juvenile Justice and Delinquency Prevention - Violence Against Women - S.T.O.P Grant | 16.588 | DVPT 08-13001-1 | 55,354 |
| Passed-through State Court Administrative Office - Drug Court - Priority | | | |
| | 16.738 | 2009-DJ-BX-0086 | 41,468 |
| Passed-through Michigan Department of Community Health - Recovery Act - Edward Byrne Memorial Justice Assistance Grant | | | |
| | 16.803 | 2009-SU-B9-0017 | 106,519 |
| Passed-through Michigan State Office of Drug Control Policy and City of Lansing: | | | |
| Edward Byrne Memorial Justice Assistance Grant Vertical Drug Prosecution | 16.738 | 70901-1-10-2 | 27,680 |
| Edward Byrne Memorial Justice Assistance Grant Meth in Michigan | 16.738 | | <u>395</u> |
| Total U.S. Department of Justice | | | <u>268,914</u> |

continued...

EATON COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended September 30, 2010

| Federal/Pass-through Grantor Program Title | CFDA Number | Pass-through Grantor Number | Federal Expenditures |
|--|------------------------|--|---------------------------------|
| U.S. Department of Transportation | | | |
| Passed-through Michigan State Police Emergency Management Division - Hazardous Materials Emergency Preparedness Grant | 20.703 | n/a | \$ 490 |
| U.S. Environmental Protection Agency | | | |
| Direct Program - Brownfield Assessment and Clean-up | 66.818 | BF96597001 | 49,341 |
| Passed-through Michigan Department of Environmental Quality - Operator Certification | 66.471 | n/a | 3,950 |
| Total U.S. Environmental Protection Agency | | | <u>53,291</u> |
| U.S. Department of Energy | | | |
| Passed-through Michigan Department of Energy, Labor & Economic Growth Recovery Act - Energy Efficiency and Conservation Block Grant | 81.128 | | <u>70,417</u> |
| U.S. Department of Health and Human Services | | | |
| Passed-through Michigan Department of Community Health: | | | |
| Family Planning Project | 93.217 | | 79,025 |
| Immunization Grants: | | | |
| Immunization & Vaccine Program | 93.268 | | 69,352 |
| Vaccines for Children - Training | 93.268 | | 6,500 |
| Vaccines | 93.268 | | 270,898 |
| Recovery Act - Vaccines | 93.712 | | 50,461 |
| CSH Care Coordination | 93.268 | | 43,483 |
| Bioterrorism - Supplemental: | | | |
| Focus A | 93.069 | | 179,184 |
| Pandemic Flu | 93.069 | | 370,328 |
| H1N1 Vaccine | 93.069 | | 94,355 |
| Recovery Act - Immunizations | | | |
| Reaching More Children and Adults | 93.712 | | 23,540 |
| Medical Assistance Program: | | | |
| Case Management | 93.778 | | 38,471 |
| Medicaid Outreach | 93.778 | | 44,752 |
| Breast & Cervical Cancer Control Program | 93.919 | | 50,535 |
| Maternal & Child Health Services Block Grant: | | | |
| Local MCH | 93.994 | | 67,824 |
| Case Management | 93.994 | | 22,493 |
| Passed-through Michigan Department of Human Services: | | | |
| Temporary Assistance for Needy Families - Promoting Safe and Stable Families | 93.556 | SFSC 08-23002 | 26,094 |

continued...

EATON COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards (Concluded)
For the Year Ended September 30, 2010

| Federal/Pass-through Grantor Program Title | CFDA Number | Pass-through Grantor Number | Federal Expenditures |
|---|------------------------|--|---------------------------------|
| U.S. Department of Health and Human Services (concluded) | | | |
| ADC Maintenance Assistance | 93.563 | n/a | \$ 150,854 |
| Child Support Enforcement: | | | |
| Friend of the Court | 93.563 | CS/FOC-10-23001 | 790,288 |
| Prosecuting Attorney | 93.563 | CS/PA-10-23002 | 80,207 |
| Child Abuse & Neglect - Title IV-E Funding | 93.658 | PROFC-09-23001 | 21,439 |
| Passed-through Michigan State Court Administrative Office - Access and Visitation Programs | 93.597 | n/a | 3,888 |
| Passed-through Mid-South Substance Abuse Commission: | | | |
| Outpatient / Intensive Outpatient | 93.959 | | 148,848 |
| Women's Services | 93.959 | | <u>24,559</u> |
| Total U.S. Department of Health and Human Services | | | <u>2,657,378</u> |
| U.S. Department of Homeland Security | | | |
| Passed-through Michigan State Police, Emergency Management Division - Emergency Management Preparedness Grant | 97.042 | n/a | 39,604 |
| Passed-through City of Lansing - Homeland Security Grant Program | 97.067 | | <u>289,842</u> |
| Total U.S. Department of Homeland Security | | | <u>329,446</u> |
| TOTAL EXPENDITURES OF FEDERAL AWARDS | | | <u><u>\$ 4,146,738</u></u> |

See accompanying notes to the schedule of expenditures of federal awards

EATON COUNTY, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Eaton County, Michigan (the "County") 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.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the modified accrual basis of accounting.

3. SUBRECIPIENTS

Of the federal expenditures presented in the schedule, the County provided federal awards amounting to \$59,248 to subrecipients under the State Homeland Security Grant Programs (CFDA #97.067)

* * * * *

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

March 4, 2011

To the Board of Commissioners
of Eaton County
Charlotte, 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 ***EATON COUNTY, MICHIGAN***, as of and for the year ended September 30, 2010, and have issued our report thereon dated March 4, 2011. We did not audit the financial statements of the Medical Care Facility Enterprise Fund which is a major fund and therefore a separate opinion unit. In addition, the Medical Care Facility represents 57% and 90% of the business-type activity assets and program revenues, respectively. Those financial statements were audited by other auditors whose report was furnished to us, and our opinions, insofar as they relate to the amounts included for the Medical Care Facility is based solely 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the County'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County'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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 governing board, 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.

A handwritten signature in cursive script that reads "Lehmann Johnson".

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB
CIRCULAR A-133**

March 4, 2011

To the Board of Commissioners
of Eaton County
Charlotte, Michigan

Compliance

We have audited the compliance of **EATON COUNTY, MICHIGAN** with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010. The County'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 that could have a direct and material effect on each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County'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 major federal programs occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County's compliance with those requirements.

As described in item 2010-1 in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding sufficient documentation of payroll expenses that are applicable to its Immunization and Public Health Emergency Preparedness Programs. Compliance with such requirements is necessary in our opinion, for the County to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2010.

Internal Control Over Compliance

The management of the County 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'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's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2010-1 to be a material weakness.

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

This report is intended solely for the information and use of the governing board, 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.



EATON COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended September 30, 2010

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified? _____ yes X none reported

Noncompliance material to financial statements noted? _____ yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? X yes _____ no

Significant deficiency(ies) identified? _____ yes X none reported

Type of auditors' report issued on compliance for major programs: Qualified

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

EATON COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended September 30, 2010

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|--------------------|---|
| 93.268 & 93.712 | Immunization Cluster |
| 93.069 | Public Health Emergency Preparedness |
| 16.803 | Recovery Act – Edward Byrne Memorial Justice Assistance Grant |

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? X yes no

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**2010-1 Insufficient Documentation of Payroll Expenses – Material Noncompliance;
Material Weakness in Internal Control over Compliance – Allowable Costs/Cost
Principles**

**Programs: CFDA 93.268 & 93.712 Immunization Cluster
CFDA 93.069 Public Health Emergency Preparedness**

Criteria. Office of Management and Budget Circular No. A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, provides that estimated or other distribution percentages determined before the services are performed do not qualify as support for charges to Federal awards.

EATON COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended September 30, 2010

Condition. The District Health Department made charges to the federal programs for four salaried employees based on budgeted hours instead of using actual hours worked.

Cause. At least quarterly, comparisons of actual costs to budgeted distributions based on monthly activity reports are required. The District Health Department did not perform the comparisons as after-the-fact time and attendance records were not maintained to support the charges to the federal programs.

Effect. The District Health Department did not complete monthly activity reports and as a result, budgeted hours and costs for the four individuals were charged to the federal programs. It should be noted, though, that the four individuals clearly provided services to the programs as documented by various work products.

View of responsible officials. The four District Health Department individuals are administrative personnel. While the outcomes within the identified programs are documented, the time spent by the four employees in generating the outcomes was not systematically documented. To comply with reporting requirements, any direct service time by the four individuals will be documented on a monthly basis and reconciled against what is allocated by full time equivalent within the approved budget.

SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS

None

* * * * *