

**EATON COUNTY,
MICHIGAN**

SINGLE AUDIT

For the Year Ended September 30, 2008

**EATON COUNTY, MICHIGAN
SINGLE AUDIT**

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Year Ended September 30, 2008

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EATON COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2008

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	\$ 14,046
National School Lunch Program	10.555	230008001	24,842
Special Snack Program	10.555	230008001	4,193
Passed-through Michigan Department of Community Health:			
Women, Infants and Children	10.557		<u>390,408</u>
Total U.S. Department of Agriculture			<u>433,490</u>
U.S. Department of Housing and Urban Development			
Passed-through the Michigan State Housing Development Authority			
Community Development Block Grant	14.228	MSC-2005-0778-HOA	52,919
Home Investment Partnership Program	14.239	M-2004-0778	<u>54,900</u>
Total U.S. Department of Housing and Urban Development			<u>107,819</u>
U.S. Department of Justice			
Direct Programs:			
Organized Crime Drug Enforcement Task	16.xxx		3,498
State Criminal Alien Assistance Program	16.606	2007APBX0603	15,287
Byrne Memorial - Justice Assistance Grant 05-09	16.738	2006DJBX0592	15,526
Passed through Michigan Department of Human Services:			
Juvenile Justice and Delinquency Prevention - Violence Against Women - S.T.O.P Grant	16.588	DVPT 06-13001-1	55,353
Passed through State Court Administrative Office:			
Drug Court - Priority	16.738	2007DJBX0048	33,614
Passed through Michigan State Office of Drug Control Policy and City of Lansing:			
Byrne Formula Grants - Vertical Drug Prosecution	16.738	70901-7-07-B	<u>36,630</u>
Total U.S. Department of Justice			<u>159,908</u>

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EATON COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards (continued)
For the Year Ended September 30, 2008

Federal/Pass-through Grantor Program Title	CFDA Number	Pass-through Grantor Number	Federal Expenditures
U.S. Department of Transportation			
Passed -through Michigan State Police:			
Safe Communities Grant (OHSP)	20.600	PT-08-03	\$ 31,331
Occupant Protection	20.602	PT-08-03	<u>4,000</u>
Total U.S. Department of Transportation			<u>35,331</u>
U.S. Environmental Protection Agency			
Direct Programs:			
Brownfield Assessment and Clean-up	66.818	BF96597001	61,031
Great Lakes Collection of Household Unwanted Electronics & Medicines	66.469		1,474
Passed-through Michigan Department of Environmental Quality:			
Capitalization Grants for Clean Water State Revolving Funds	66.458	n/a	16,231
Drinking Water state Revolving Funds- Arsenic Rule Implementation	66.468	n/a	300
Operator Certification	66.471	n/a	<u>14,375</u>
Total U.S. Environmental Protection Agency			<u>93,411</u>
U.S. Department of Health and Human Services			
Passed-through Michigan Department of Community Health:			
Family Planning Project	93.217		68,330
Immunization Grants:			
Immunization & Vaccine Program	93.268		69,857
Vaccines for Children - Training	93.268		5,750
Vaccines	93.268		465,236
Bioterrorism - Supplemental:			
Focus A	93.283		197,295
Pandemic Flu	93.283		70,695
Medical Assistance Program:			
Case Management	93.778		28,366
Children's Special Care Coordination	93.778		21,805
Medicaid Outreach	93.778		53,970
Breast & Cervical Cancer Control Program	93.919		38,439
Maternal & Child Health Services Block Grant			
Local MCH	93.994		70,252
Case Management	93.994		21,864

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EATON COUNTY, MICHIGAN
Schedule of Expenditures of Federal Awards (concluded)
For the Year Ended September 30, 2008

Federal/Pass-through Grantor Program Title	CFDA Number	Pass-through Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (concluded)			
Passed through Michigan Department of Human Services:			
Promoting Safe and Stable Families	93.556		\$ 29,468
Promoting Safe and Stable Families	93.556	SFSC 04-23002	25,233
Temporary Assistance for Needy Families			
Healthy Families - 0 to 3 Preventior	93.558		120,693
ADC Maintenance Assistance	93.560	n/a	151,191
Child Support Enforcement:			
Friend of the Court	93.563	CS/FOC-08-23001	839,950
Prosecuting Attorney	93.563	CS/PA-08-23002	86,140
Passed through Michigan State Court Administrative Office:			
Access and Visitation Programs	93.597	n/a	2,726
Passed-through Mid-South Substance Abuse Commission:			
Outpatient / Intensive Outpatient	93.959		154,218
Women's Services	93.959		22,556
			<hr/>
Total U.S. Department of Health and Human Services			2,544,034
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U.S. Department of Homeland Security			
Direct Programs:			
FEMA Cooperating Technical Partners Initiative	97.036		22,797
Citizen Corp Training Program	97.067	n/a	7,038
Passed-through Michigan Department of Natural Resources:			
Boating Safety Financial Assistance	97.012		27,870
Passed-through Michigan State Police, Emergency Management Division			
Emergency Management Preparedness Gran	97.042	n/a	34,703
Passed through City of Lansing:			
State Homeland Security Grant Program:	97.067		357,885
			<hr/>
Total U.S. Department of Homeland Security			450,293
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TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 3,824,286
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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 to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Provided to Subrecipients</u>
State Homeland Security Grant Programs	97.067	\$ 1,244

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

March 7, 2009

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, 2008, and have issued our report thereon dated March 7, 2009. We did not audit the financial statements of the Eaton County Road Commission, which represents 37% of the assets and 48% of the revenues of the aggregate discretely presented component units of the County. 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 Eaton County Road Commission, 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 control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County'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's financial statements that is more than inconsequential will not be prevented or detected by the County's internal control over financial reporting.

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's internal control.

Our consideration of 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 internal control that might be 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 identified 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*.

We noted certain matters that we reported to management of the County, in a separate letter dated March 7, 2009.

This report is intended solely for the information and use of the audit committee, 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 black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

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

March 7, 2009

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 are applicable to each of its major federal programs for the year ended September 30, 2008. 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 applicable to each of its major federal programs are 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.

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

Internal Control Over Compliance

The management of the County 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.

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in 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.

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 Eaton County as of and for the year ended September 30, 2008, and have issued our report thereon dated March 7, 2009. 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 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.

We did not audit the financial statements of the Eaton County Road Commission, which represents 37% of the assets and 48% of the revenues of the aggregate discretely presented component units of the County. Those financial statements were audited by other auditors whose report was furnished to us, and our opinion, insofar as it relates to the amounts included for the Eaton County Road Commission, is based solely on the report of the other auditors.

This report is intended solely for the information and use of the audit committee, 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 black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style with a large initial 'L'.

EATON COUNTY, MICHIGAN
Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified
not considered to be material weaknesses? _____ yes X none reported

Noncompliance material to financial statements
noted? _____ yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? _____ yes X no

Significant deficiency(ies) identified
not considered to be material weaknesses? _____ yes X none reported

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

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

EATON COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended September 30, 2008

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
10.557	Women, Infants and Children
93.268	Immunization Grants
97.067	Homeland Security Grant Program

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

Finding 2008-1 Procurement, Suspension and Debarment

Program: CFDA# 97.067 – 2006 State Homeland Security Grant

Criteria. The County is responsible for ensuring that all federal awards program contractors, with contracts over \$25,000, are not suspended or debarred from receiving federal funds and that procurements provide full and open competition, and if not full and open competition, justified documentation in support of the rationale to limit competition is obtained.

Condition. The County incurred expenses related to one project with purchases totaling over \$440,000 from one vendor, of which \$300,000 was charged to the homeland security grant without following the proper procurement policies regarding competitive bidding or checking the vendor for suspension or debarment.

EATON COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended September 30, 2008

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

Cause. Those responsible for administering the County's grants were unaware of this requirement.

Effect. The County may have used federal funds for a procurement that is not allowable per federal guidelines. This condition also increases the risk that the County will inadvertently conduct business with a suspended or debarred vendor in violation of federal regulations.

View of Responsible Officials. The County has taken the necessary steps to meet the grant requirements in the future, including requesting both the fiduciary and the State of Michigan provide specific training documents and information.

Finding 2008-2 Equipment and Real Property Management

Program: CFDA #97.067 – 2006 State Homeland Security Grant

Criteria. OMB Circular A-110, provides that "equipment records shall be maintained; a physical inventory of equipment shall be taken at least once every two years and reconciled to the equipment records; an appropriate control system shall be used to safeguard equipment; and equipment shall be adequately maintained."

Condition. The County keeps a record of equipment purchased and used by the police department. The schedule includes equipment purchased with homeland security funds. The schedule notes whether the equipment was purchased with grant money or not, although not by specific program, and has a column to track the physical observation verification date, however, not all of the equipment has been verified within the past two years.

Cause. The County was not aware of the Federal guidelines regarding equipment and real property management that are applicable to this program.

Effect. As a result of this condition, the County was not able to ensure that all federally purchased assets were properly safeguarded.

View of Responsible Officials. The County has taken the necessary steps to meet the grant requirements in the future, including requesting both the fiduciary and the State of Michigan provide specific training documents and information.

SECTION IV – PRIOR YEAR FEDERAL AWARD FINDINGS

No matters were reported.

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