



COUNTY OF OTTAWA

WEST OLIVE, MICHIGAN

SINGLE AUDIT REPORTS

FOR THE YEAR ENDED DECEMBER 31, 2012



Vredeveld Haefner LLC

COUNTY OF OTTAWA SINGLE AUDIT REPORTS

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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

June 21, 2013

Board of County Commissioners
County of Ottawa
West Olive, Michigan

We have audited, in accordance with the 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, 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 Ottawa, Michigan (the County) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 21, 2013. Our report includes a reference to other auditors who audited the financial statements of the Mental Health Special Revenue fund and the Protected Self-Funded Insurance – Mental Health Internal Service fund, as described in our report on the County's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133

June 21, 2013

Board of County Commissioners
County of Ottawa
West Olive, Michigan

Report on Compliance for Each Major Federal Program

We have audited the County of Ottawa, Michigan's (the County) compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2012. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. 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'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 on compliance for each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2012.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, 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 2012-1, 2012-2, 2012-3, 2012-5 and 2012-6. Our opinion on each major federal program is not modified with respect to these matters.

The County's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's responses were not subject to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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'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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2012-4 that we consider to be a significant deficiency.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Report on the Schedule of Expenditures of Federal Awards Required by OMB Circular A-133

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 Ottawa, Michigan as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the County of Ottawa, Michigan's basic financial statements. We issued our report thereon dated June 21, 2013, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. Our report includes a reference to other auditors who audited the financial statements of the Mental Health Special Revenue fund and the Protected Self-Funded Insurance – Mental Health Internal Service fund, as described in our report on the County's financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. 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 financial statements. Such information is 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 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, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

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COUNTY OF OTTAWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Expenditures
<u>U.S. Department of Agriculture:</u>		
Rural Business Enterprise - Technology Business Incubator	10.769	\$ 12,060
Wildlife Habitat Incentive Program	10.914	142
Conservation Reserve Enhancement Program	10.069	50,366
Maternal & Child Health Program	10.168	19,828
Passed through Michigan Department of Education:		
Emergency Food Assistance Program - TEFAP	10.568	35,412
Emergency Food Assistance Program - TEFAP - 10/1/12 - 12/31/12	10.568	12,039
Emergency Food Assistance Program - Commodities	10.569	123,067
Emergency Food Assistance Program - Commodities - 10/1/12 - 12/31/12	10.569	32,131
Commodity Supplemental Food Program	10.565	27,306
Commodity Supplemental Food Program - 10/1/12 - 12/31/12	10.565	6,463
Commodity Supplemental Food Program - Commodities	10.565	101,980
Commodity Supplemental Food Program - Commodities - 10/1/12 - 12/31/12	10.565	26,560
National School Lunch Program:		
School Breakfast Program	10.553	18,046
National School Lunch Program	10.555	32,929
Total passed through Michigan Department of Education		<u>415,933</u>
Passed through Michigan Strategic Fund:		
FY12 ST Adm Match Grts for the SNAP	10.561	22,832
FY13 ST Adm Match Grts for the SNAP - 10/1/2012 - 12/31/2012	10.561	3,344
Total passed through Michigan Strategic Fund		<u>26,176</u>
Passed through Michigan Department of Community Health:		
Food Stamps - Local Advisory Group/ SNAP Ed	10.551	14,888
Total U.S. Department of Agriculture		<u>539,393</u>
<u>U.S. Department of the Interior:</u>		
Passed through Ducks Unlimited:		
North American Wetlands Conservation Fund - Western Michigan Coastal Habitat Coastal Habitat Project	15.623	200,000
Total U.S. Department of the Interior		<u>200,000</u>
<u>U.S. Department of Energy:</u>		
Energy Efficiency & Conservation Block Grant - ARRA	81.128	156,997
Passed through Michigan Department of Human Services:		
Weatherization Assistance for Low-Income Persons	81.042	143,871
Weatherization Assistance for Low-Income Persons DOE 12-70025	81.042	104,784
Weatherization Assistance for Low-Income Persons - ARRA (DOE-S-70025 PY12)	81.042	129,128
Weatherization Assistance for Low-Income Persons - ARRA	81.042	1,141,704
Total passed through Michigan Department of Human Services		<u>1,519,487</u>
Total U.S. Department of Energy		<u>1,676,484</u>
<u>U.S. Environmental Protection Agency:</u>		
Great Lakes Program - Lake Macatawa Run-Off Reduction	66.469	646,800
Passed through Michigan Department of Environmental Quality:		
Beach Monitoring and Notification Program	66.472	8,382
Noncommunity - Operator Certification Grant	66.471	656
Total passed through Michigan Department of Environmental Quality		<u>9,038</u>

COUNTY OF OTTAWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Expenditures
Passed through Michigan Department of Agriculture: Great Lakes Program - Partnership Agreement - Clean Sweep	66.469	\$ 36,818
Passed through Michigan Department of Natural Resources: Great Lakes Program - Beach Grant Monitoring	66.469	37,384
Great Lakes Program - Beach Grant Modeling	66.469	30,183
Total passed through Michigan Department of Natural Resources		<u>67,567</u>
Total U.S. Environmental Protection Agency		<u>760,223</u>
<u>U.S. Department of Health and Human Services:</u>		
Passed through Michigan Department of Community Health: SOM - Family Planning	93.217	160,580
Childhood Immunization Program - Immunizations VFC/317	93.268	512,428
SOM - Immunization IAP	93.268	126,613
VFC Provider Site Visits	93.268	7,400
Public Health Emergency Preparedness Bioterrorism - Focus A	93.069	123,162
Public Health Emergency Preparedness Bioterrorism - Focus A	93.069	20,135
Preadmission Screenings and Annual Resident Reviews	93.778	171,267
Title XIX Federal Financial Participation - Medicaid Admin Care Coordination	93.778	82,156
Counseling/WRAP Expansion Project	93.778	42,763
Parent Peer Support	93.958	38,655
SOM - Case Management Serv. (CSHCS)	93.958	45,118
SOM - Case Management Serv. (CSHCS)	93.994	26,809
SOM - Case Management Serv. (CSHCS)	93.778	20,354
SOM - Oral Health	93.994	13,532
SOM - Maternal & Child Health Program	93.994	28,425
Building Healthy Communities-Obesity Prevention	93.283	10,000
Tuberculosis Control	93.116	19,852
Total passed through Michigan Department of Community Health		<u>1,449,249</u>
Passed through Lakeshore Coordinating Council: Substance Abuse Prevention (LCC Grant)	93.959	89,506
Passed through Michigan Community Action Agency Association: MCAAA - Maximus - Managed Care Enrollment	93.778	7,323
MCAAA - Maximus - Managed Care Enrollment	93.778	4,507
Total passed through Michigan Community Action Agency Association		<u>11,830</u>
Passed through Muskegon County CMH: PMTO Grant	93.958	13,818
Peer Support	93.958	27,593
Total passed through Muskegon County CMH		<u>41,411</u>
Passed through Michigan Strategic Fund: FY12 TANF/JET Supportive Services	93.558	25,000
FY12 TANF /JET	93.558	430,139
FY13 TANF /JET - 10/1/12 - 12/31/12	93.558	77,336
Total passed through Michigan Strategic Fund		<u>532,475</u>
Passed through Michigan Department of Human Services: Community Service Block Grant-D-12-70025 HRS	93.569	6,421
Community Service Block Grant-D-12-70025 HRS - 10/1/2012 - 12/31/12	93.569	1,105
Community Service Block Grant - 13-70025	93.569	76,994
Friend of the Court Incentive Payment	93.563	310,861
Low Income Home Energy Assistance	93.568	95,868
Low Income Home Energy Assistance - 10/1/12 - 12/31/12	93.568	11,026

COUNTY OF OTTAWA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Expenditures
Community Services Block Grant - Administration	93.569	\$ 295,360
Community Services Block Grant, Migrant Services	93.569	33,570
Community Services Block Grant, Disc Funding - Tax Prep Assistance	93.569	19,759
LIHEAP Deliverable Fuels	93.568	11,050
Prosecuting Attorney Child Protection Investigations - Legal Services	93.658	11,186
Prosecuting Attorney Child Support Enforcement	93.563	129,703
CRP Friend of the Court Child Support Enforcement	93.563	1,504,544
Total passed through Michigan Department of Human Services		<u>2,507,447</u>
Passed through Michigan Supreme Court State Access and Visitation Program	93.597	4,550
Passed through National Association of County and City Health Officials Medical Reserve Corp	93.008	3,682
Total U.S. Department of Health and Human Services		<u>4,640,150</u>
<u>U.S. Department of Labor:</u>		
Passed through Michigan Strategic Fund:		
WIA - Local Administration Type A AY10 PY10	Cluster	187,235
WIA - Local Administration Type A AY11 PY11	Cluster	162,006
WIA - Local Administration Type A AY11 PY11 - 7/1/12 thru 12/31/12	Cluster	110,901
WIA - Local Administration Type A AY12 PY12 - 7/1/12 thru 12/31/12	Cluster	89,414
FY09 WIA DW NEG - West MI - ARRA	17.260	391,562
AY10 WIA Statewide Activities	Cluster	2,285
WIA AY11 Wagner Peyser 7(A)	17.207	288,476
WIA AY10 Wagner Peyser 7(A)	17.207	97,254
WIA AY11 Wagner Peyser 7(A) - 7/1/12 - 12/31/12	17.207	85,016
WIA - Statewide Activities - AY10/PY2010 Capacity Building	17.258	4,698
	17.259	5,030
	17.278	6,272
WIA - Statewide Activities - AY10/MWA SVSC CTR OPS	17.258	19,000
	17.259	20,346
	17.278	25,367
WIA - Statewide Activities - AY12/MWA SVSC CTR OPS - 7/1/12- 12/31/12	17.258	5,423
	17.259	5,760
	17.278	5,925
WIA - Statewide Activities - AY11/JET	17.258	7,923
	17.259	8,487
	17.278	10,449
WIA - Statewide Activities - AY09/Ottawa AES 2010 MISA	17.258	41,686
	17.259	44,650
	17.260	58,257
WIA - Dislocated Worker - AY10	17.278	165,847
WIA - Dislocated Worker - AY11	17.278	594,673
WIA - Dislocated Worker - AY11 - 7/1/12 - 12/31/12	17.278	309,475
WIA - Dislocated Worker - AY12 - 10/1/12 - 12/31/12	17.278	159,651
FY12 Trade Adjustment Assistance-Trade/Case Management	17.245	663,692
FY13 Trade Adjustment Assistance-Trade/Case Management -10/1/2012 - 12/31/2012	17.245	14,999
FY13 Trade Adjustment Assistance - 10/1/2012 - 12/31/2012	17.245	86,342
Workforce Investment Act - Youth A/Y11	17.259	740,824
Workforce Investment Act - Youth A/Y10	17.259	184,120
Workforce Investment Act - Youth A/Y11 - 7/1/2012 - 12/31/12	17.259	166,167
Workforce Investment Act - Youth A/Y12 - 7/1/2012 - 12/31/12	17.259	139,332
WIA - Statewide Activities - High Concentration Youth AY10	17.258	685
WIA - Statewide Activities - High Concentration Youth AY10	17.278	914
WIA - Statewide Activities - High Concentration Youth AY10	17.259	734
Workforce Investment Act - Adult AY10	17.258	198,188
Workforce Investment Act - Adult AY11	17.258	388,817
Workforce Investment Act - Adult AY11 - 7/1/12 - 12/31/12	17.258	256,222
Workforce Investment Act - Adult AY12 - 7/1/12 - 12/31/12	17.258	133,942
Workforce Investment Act - Statewide Activities - LG Chem	Cluster	330,000

COUNTY OF OTTAWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Expenditures
RES/REA EUC Administration - 10/1/12 - 12/31/12	17.225	\$ 104,749
On the Job Training - National Emergency Grant - ARRA	17.260	<u>5,878</u>
Total U.S. Department of Labor		<u>6,328,673</u>
<u>U.S. Department of Justice:</u>		
Byrne Memorial Formula Grant - 2011-DJ-BX-2360	16.738	28,019
Equipment Grant (LLEBG-ARRA) - 2009-SB-B9-1995 ARRA	16.804	522
State Criminal Alien Apprehension Program	16.606	26,233
State Justice Institute - Michigan Juvenile Justice Vision 20/20 *	N/A	1,505
State Justice Institute - Scholarships *	N/A	3,812
Improving the Admin of Justice Through Professional Staff Development *Funding provided under the Commerce, Justice, and Science Appropriation Bill, Title IV Funding		
Second Chance Act Prisoner Reentry Initiative 2010	16.812	393,993
Second Chance Act Prisoner Reentry Initiative 2011 - 7/1/11 - 12/31/12	16.812	221,705
Drug Court Discretionary Grant	16.585	20,755
Equitable Sharing Program - Asset Forfeiture	16.922	6,552
Organized Crime Drug Enforcement Task Forces (OCDETF)	N/A	2,198
Passed through Michigan State Police:		
Alcohol Impaired Driving Prevention	16.727	27,514
Edward Byrne Memorial Justice Assistance Grant Program	16.738	157,280
Edward Byrne Memorial Justice Assistance Grant Program	16.738	<u>25,138</u>
Total passed through Michigan State Police		<u>209,931</u>
Passed through State of Michigan Department of Human Services:		
Juvenile Accountability Incentive Block Grant	16.523	<u>2,263</u>
Total U.S. Department of Justice		<u>917,488</u>
<u>U.S. Department of Housing and Urban Development:</u>		
Supportive Housing Program	14.235	10,122
Supportive Housing Program	14.235	83,313
Supportive Housing Program	14.235	11,717
Supportive Housing Program	14.235	176,107
Emergency Solutions Grant (ESG) 2011 - 10/1/2012 - 12/31/2012	14.231	66,157
Emergency Solutions Grant (ESG) 2012 - 10/1/2012 - 12/31/2012	14.231	79,201
Passed through Michigan State Housing Development Authority:		
Section 8 FSS (Family Self Sufficiency)	14.871	4,488
Section 8 Housing Choice Vouchers	14.871	117,848
Section 8 Housing Choice Vouchers	14.871	26,988
Housing Choice Voucher Program/FSS (Family Self Sufficiency)	14.871	<u>5,825</u>
Total passed through Michigan State Housing Development Authority		<u>155,149</u>
Total U.S. Department of Housing and Urban Development		<u>581,766</u>
<u>U.S. Department of Transportation:</u>		
Passed through Michigan Department of State Police:		
Electronic Crash Capture & Submission	20.610	174,316
Hazardous Materials Emergency Preparedness Planning	20.703	<u>7,872</u>
Total passed through Michigan Department of State Police		<u>182,188</u>

COUNTY OF OTTAWA
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2012

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Expenditures
Passed through City of Holland:		
Safe Communities Grant/ Drive Michigan Safely/ OWI Seatbelt	20.600	\$ 7,346
Strategic Traffic Enforcement Program HVE/ OWI	20.600	2,900
Safe Communities Grant/ High Visibility Enforcement	20.601	<u>21,176</u>
Total passed through City of Holland		<u>31,422</u>
Passed through Michigan Department of Community Health:		
Safe Routes to School	20.205	<u>13,691</u>
Passed through Michigan Department of Transportation:		
Transit Needs Assessment and Feasibility Study - MI-80-X014/MI-80-0001	20.515	<u>63,588</u>
Passed through Michigan Department of Technology, Management and Budget (DTMB):		
Enhance 911 Act Grant Program	20.615	<u>13,950</u>
Total U.S. Department of Transportation		<u>304,839</u>
<u>U.S. Department of Homeland Security:</u>		
Emergency Management Institute Training Assistance	97.026	591
2011 Port Security Equipment & Training	97.056	455,184
2011 Port Security Equipment & Training	97.056	43,616
2010 Port Security Equipment & Training	97.056	493
Passed through United Way of America:		
Emergency Food and Shelter National Board Program	97.024	<u>2,805</u>
Passed through Michigan Department of State Police:		
Emergency Management Performance Grant	97.042	<u>35,680</u>
Passed through West Michigan Shoreline Regional Development Commission, Region 6 HLSRGB:		
Homeland Security Equipment Grant	97.067	383,746
Homeland Security Grant Program - 2009	97.067	42,017
Homeland Security Grant Program - 2010	97.067	<u>40,441</u>
Total passed through West Michigan Shoreline Regional Development Commission, Region 6 HLSRGB		<u>466,204</u>
Total U.S. Department of Homeland Security		<u>1,004,573</u>
<u>Executive Office of the President:</u>		
Passed through Michigan Department of State Police:		
High Intensity Drug Trafficking Areas (HIDTA) - Sheriff	N/A	1,915
High Intensity Drug Trafficking Areas (HIDTA) - Sheriff	N/A	<u>1,279</u>
Total Executive Office of the President		<u>3,194</u>
<u>U.S. Department of Education:</u>		
Passed through Ottawa Area Intermediate School District:		
Title I State Agency Program for Neglected and Delinquent Children	84.013	<u>20,000</u>
Total U.S. Department of Education		<u>20,000</u>
Total Expenditures of Federal Awards		<u><u>\$ 16,976,784</u></u>

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COUNTY OF OTTAWA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2012

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Ottawa, Michigan and 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 the financial statements.

2. ACCOUNTING PERIOD

Certain funds of the County utilize the fiscal years ended March 31, 2012, June 30, 2012, September 30, 2012, and December 31, 2012. Programs that fall under different fiscal years are reported on the schedule expenditures of federal awards based on the funds fiscal year end.

3. SUBRECIPIENTS

Of the federal expenditures presented in the accompanying schedule of expenditures of federal awards, the County of Ottawa provided federal awards to subrecipients as follows:

<u>Program Title</u>	<u>Federal CFDA number</u>	<u>Amount provided to subrecipients</u>
State Administrative Matching Grants for the Supplemental Nutrition Assistance Program	10.561	\$ 1,762
Alcohol Impaired Driving Prevention	16.727	11,110
Electronic Crash Capture & Submission	20.610	24,056
Homeland Security Equipment Grant	97.067	206,189
Energy Efficiency & Conservation Block Grant	81.128	14,726
Temporary Assistance for Needy Families	93.558	131,820
Unemployment Insurance	17.225	93,261
Trade Adjustment Assistance	17.245	46,149
Wagner-Peyser Employment	17.207	203,229
Workforce Investment Act – Adult Program	17.258	275,159
Workforce Investment Act – Youth Activities	17.259	367,743
Workforce Investment Act Dislocated Workers	17.260 & 17.278	340,242
Workforce Investment Act Dislocated Workers	17.260	248,813
Workforce Investment Act Cluster	17.258, 17.259, 17.260, 17.278	32,144
Total		\$1,996,403

Amounts passed through by the County to a subrecipient in previous years were found to be unallowable costs in 2011. The amount is being returned to the County and remitted by the County to the State agency in accordance with an approved payment plan.

COUNTY OF OTTAWA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

FOR THE YEAR ENDED DECEMBER 31, 2012

4. VACCINES EXPENDITURES

Expenditures as reported on the Schedule of Expenditures of Federal Awards agree with the County general ledger and include inventory adjustments in accordance with generally accepted accounting principles. The amount shown above is reconciled to the amount reported by the State of Michigan as follows:

	CFDA #	93.268
		Regular
		<u>Vaccines</u>
Expenditures as reported		\$ 512,428
Less - inventory at beginning of year		(187,410)
Add - inventory at end of year		<u>172,291</u>
Vaccines received per State of Michigan		<u><u>\$ 497,309</u></u>

COUNTY OF OTTAWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

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
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Federal Awards

Internal control over major programs:

Material weakness(es) identified?	_____ yes	_____ X	no
Significant deficiency(ies) identified?	_____ X	_____ yes	none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?

	_____ X	_____ yes	_____ no
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
17.207	Wagner-Peyser Employment
17.245	Trade Adjustment Assistance
17.258, 17.259, 17.260, 17.278	WIA Cluster
66.469	Great Lakes Program
81.042	Weatherization Assistance
81.128	EECBG
93.558	Temporary Assistance for Needy Families
16.812	Second Chance Act Prisoner Reentry

Dollar threshold used to distinguish between Type A and B programs: _____ \$509,304 _____

Auditee qualified as low-risk auditee? _____ yes _____ X no

SECTION II - FINANCIAL STATEMENT FINDINGS

None noted.

COUNTY OF OTTAWA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED DECEMBER 31, 2012

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2012-1 - CFDA #81.128

Condition and Criteria: 2 CFR section 215.34 states that a physical inventory of equipment shall be taken and the results reconciled with the equipment records at least once every two years. Equipment is defined as tangible nonexpendable property charged directly to the award having a useful life of more than one year and an acquisition cost of \$5,000 or more per unit. Any differences between quantities determined by the physical inspection and those shown in the accounting records shall be investigated to determine the causes of the difference. The recipient shall, in connection with the inventory, verify the existence, current utilization, and continued need for the equipment. Ottawa County did not conduct the required physical inventory within the required two year time period.

Cause: Ottawa County was not fully aware of the federal compliance requirement provisions as they relate to equipment management.

Effect: Noncompliance with the on-going equipment management requirements of OMB Circular A-133.

Recommendation: Ottawa County should develop and implement an equipment management policy that encompasses all the federal compliance requirements regarding equipment purchased with federal grant dollars.

Management Response: The County is in process of developing an entity-wide equipment management policy that will include a provision for conducting the required physical inventory of equipment.

2012-2 - CFDA #17.245, 17.258, 17.259, 17.260, 17.278, 93.558, 16.812

Condition and Criteria: OMB Circular A-133 states that when federal funding is passed through by the County to a subrecipient, the County is responsible as the pass-through agent to notify the subrecipient at the time of the subaward of the award information including the CFDA number and title. During the testing of subaward grant agreements, it was noted that none of the agreements tested notified the subrecipient of the CFDA number and title.

Cause: County departments managing these grants were not fully aware of the federal compliance requirement provisions as they relate to subrecipient monitoring.

Effect: Noncompliance with the requirements of OMB Circular A-133.

Recommendation: Ottawa County should ensure that the subaward grant agreements contain the appropriate communications required by OMB Circular A-133.

Management Response: The County is in process of modifying the standard subaward grant agreement verbiage to ensure it includes all the required components stipulated in OMB Circular A-133.

2012-3 - CFDA #66.469

Condition and Criteria: OMB Circular A-87 Attachment B, Item 8H provides the standards regarding time distribution. These standards state that where employees work on multiple activities or cost objectives, a distribution of their salaries or wages must be supported by personnel activity reports which must reflect an after-the-fact distribution of the actual activity of each employee, account for the total activity for which each employee is compensated, be prepared at least monthly and coincide with one or more pay periods, and be signed by the employee. Time certifications were not available for the wages charged to the grant.

Cause: The County departments managing this grant were not fully aware of the federal compliance requirement provisions as they relate to time certifications.

Effect: Noncompliance with the requirements of OMB Circular A-87.

Recommendation: Ottawa County should develop and implement a procedure to ensure that time certifications are maintained as support, as applicable, for employee compensation charged to federal grants.

Management Response: The County is in process of developing a procedure to comply with the standards for payroll documentation.

COUNTY OF OTTAWA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2012

2012-4 - CFDA #66.469

Condition and Criteria: To encourage strong internal controls over compliance, job responsibilities should incorporate an appropriate level of segregation of duties and contain an adequate level of monitoring and oversight.

Cause: One individual was responsible for grant management, reporting and reimbursement functions.

Effect: The possibility exists that incorrect amounts may be charged to the grant and not be detected.

Recommendation: Ottawa County should strengthen controls by incorporating a level of monitoring and review to the process of charging costs to the grant and submitting financial reports requesting reimbursement.

Management Response: The County is in process of adding a monitoring component to financial reporting for this grant.

2012-5 - CFDA #16.812

Condition and Criteria: OMB Circular A-133 compliance requirements relating to Procurement, Suspension and Debarment require that the County perform a verification check for covered transactions with an entity at a lower tier by checking the Excluded Parties List System, collecting a certification from the entity, or adding a clause or condition to the covered transaction with the entity. It was noted during the testing of procurement transactions that in one instance a verification check was not performed.

Cause: While the appropriate County employees were aware of the applicable compliance requirements, there was incomplete follow-through to ensure compliance with the requirement.

Effect: Noncompliance with the requirements of OMB Circular A-133.

Recommendation: Ottawa County should modify the procurement process to ensure that a verification check is performed for each covered transaction with an entity at a lower tier.

Management Response: The County is in process of modifying the procurement procedures to ensure that a verification check is performed for each covered transaction.

2012-6 - CFDA #16.812

Condition and Criteria: OMB Circular A-133 compliance requirements relating to Subrecipient Monitoring require that the County ensure the subrecipients expending \$500,000 or more in Federal awards during the subrecipient's fiscal year have met the audit requirements of OMB Circular A-133 and that the required audits are completed within 9 months of the end of the subrecipient's audit period. It was noted during the testing of subawards that the County had not ensured the required single audit was completed for one of the subrecipients. During this testing, copies of the single audit reports for the current and previous fiscal year were obtained and it was also noted that for both years the subrecipient reported the subaward under the incorrect CFDA number and title.

Cause: While the appropriate County employees were aware of the applicable compliance requirements, incomplete subrecipient identification by certain County departments resulted in incomplete follow-through to ensure compliance with the requirements.

Effect: Noncompliance with the requirements of OMB Circular A-133.

Recommendation: Ottawa County should develop a process to ensure that all subrecipient single audits are completed and a copy of the audit report obtained and reviewed in a timely manner.

Management Response: The County is in process of developing procedures to improve subrecipient monitoring for this grant.

SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS

2011-1

Appropriate documentation should be maintained to support the allocation of costs.

This finding was corrected.

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