



# **COUNTY OF OTTAWA**

**WEST OLIVE, MICHIGAN**

**SINGLE AUDIT REPORTS**

**FOR THE YEAR ENDED DECEMBER 31, 2013**



*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 17, 2014

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, 2013, 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 17, 2014. 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 PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

June 17, 2014

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, 2013. 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, 2013.

## **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 2013-1, 2013-2, 2013-3 and 2013-5. 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 2013-4 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, 2013, 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 17, 2014, 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.

*Uredaxld Haefner LLC*

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**COUNTY OF OTTAWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Expenditures
<u>U.S. Department of Agriculture:</u>		
Direct:		
Conservation Reserve Enhancement Program	10.069	\$ 18,264
Maternal & Child Health Program	10.168	22,364
Total direct		<u>40,628</u>
Passed through Michigan Department of Education:		
Emergency Food Assistance Program - TEFAP - 1/1/13 - 12/31/13	10.568	28,914
Emergency Food Assistance Program - TEFAP - Commodities 1/1/13 - 12/31/14	10.568	185,536
Commodity Supplemental Food Program - 1/1/13 - 12/31/13	10.565	29,056
Commodity Supplemental Food Program - Commodities - 1/1/13 - 12/31/14	10.565	102,294
National School Lunch Program:		
School Breakfast Program	10.553	18,913
National School Lunch Program	10.555	34,635
Total passed through Michigan Department of Education		<u>399,348</u>
Passed through Michigan Strategic Fund:		
FY13 ST Adm Match Grts for the SNAP	10.561	13,187
Passed through Michigan Department of Community Health:		
Food Stamps - Local Advisory Group/ SNAP Ed	10.561	9,215
Total U.S. Department of Agriculture		<u>462,378</u>
<u>U.S. Department of the Interior:</u>		
Passed through US Fish & Wildlife Service:		
Riparian Habitat Restoration in the Lower Grand River	15.608	7,650
<u>U.S. Department of Energy:</u>		
Passed through Michigan Department of Human Services:		
Weatherization Assistance for Low-Income Persons DOE-13-70025	81.042	18,600
Weatherization Assistance for Low-Income Persons DOE-12-70025	81.042	45,249
Weatherization Assistance for L/I Persons - ARRA DOES-09-70025 PY 12	81.042	84,593
Weatherization Assistance for Low-Income Persons - LIHEAP13-70025	81.042	78,307
Total passed through Michigan Department of Human Services		<u>226,749</u>
<u>U.S. Environmental Protection Agency:</u>		
Passed through Michigan Department of Environmental Quality:		
Beach Monitoring and Notification Program	66.472	16,411
Noncommunity - Operator Certification Grant	66.471	656
Total passed through Michigan Department of Environmental Quality		<u>17,067</u>
Passed through Michigan Department of Agriculture:		
Partnership Agreement - Clean Sweep	66.469	27,832
Partnership Agreement - Clean Sweep (correction of 2012 reported amount)	66.469	(1,221)
Total passed through Michigan Department of Agriculture		<u>26,611</u>
Passed through Michigan Department of Natural Resources:		
Great Lakes Program - Beach Grant Monitoring	66.469	20,979
Great Lakes Program - Beach Grant Modeling	66.469	21,784
Total passed through Michigan Department of Natural Resources		<u>42,763</u>
Total U.S. Environmental Protection Agency		<u>86,441</u>

**COUNTY OF OTTAWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Expenditures
<u>U.S. Department of Health and Human Services:</u>		
Passed through Michigan Department of Community Health:		
SOM - Family Planning	93.217	\$ 143,578
Childhood Immun. Prg - Immunizations VFC/317	93.268	470,164
SOM - Immunization IAP	93.268	129,408
Public Health Emergency Preparedness Bioterrorism - Focus A - 10/12 - 6/13	93.069	139,020
Public Health Emergency Preparedness Bioterrorism - Focus A - 7/13 - 9/13	93.069	33,808
Preadmission Screenings and Annual Resident Reviews	93.778	131,810
Title XIX Federal Financial Participation - Medicaid Admin	93.778	96,972
Care Coordination	93.778	79,598
Parent Peer Support	93.958	49,639
SOM - Immunization Billing Practice Infrastructure	93.539	10,000
SOM - Case Management Serv. (CSHCS)	93.778	86,000
SOM - Oral Health	93.994	28,488
SOM - Maternal & Child Health Program	93.994	81,209
Total passed through Michigan Department of Community Health		<u>1,479,694</u>
Passed through Lakeshore Coordinating Council:		
Substance Abuse Prevention (LCC Grant)	93.959	85,591
Passed through Michigan Community Action Agency Association:		
Michigan Energy Assistance Program	93.568	4,698
MCAAA - Maximus - Managed Care Enrollment	93.778	4,794
Total passed through Michigan Community Action Agency Association		<u>9,492</u>
Passed through Kalamazoo County CMH:		
PMTO Grant	93.958	14,668
Passed through Michigan Strategic Fund:		
FY12 TANF/Jet Supportive Services	93.558	18,969
FY13 TANF/JET	93.558	322,693
FY14 TANF/JET	93.558	132,035
Total passed through Michigan Strategic Fund		<u>473,697</u>
Passed through Michigan Department of Human Services:		
Community Service Block Grant-CSBG-M-12-70025	93.569	10,000
Community Service Block Grant-CSBG-T13-70025	93.569	20,000
Community Service Block Grant-CSBG14-70025, NFA#1	93.569	2
Community Service Block Grant-CSBGD12-70025	93.569	12,474
Community Service Block Grant-CSBG13-70025	93.569	264,294
Friend of the Court Incentive Payment	93.563	304,506
Low Income Home Energy Assistance 1/1/13 - 12/31/13	93.568	24,749
Prosecuting Attorney Child Protection Investigations - Legal Services	93.658	11,854
Prosecuting Attorney Child Support Enforcement	93.563	129,708
CRP Friend of the Court Child Support Enforcement	93.563	1,505,197
Total passed through Michigan Department of Human Services		<u>2,252,784</u>
Passed through Michigan Supreme Court:		
State Access and Visitation Program	93.597	2,968
Passed through National Association of County and City Health Officials:		
Medical Reserve Corp (OSG/DCVMRC)	93.008	2,915
Passed through Muskegon County Medical Control Authority:		
ASPR Hospital Preparedness Program - Medical Reserve Corp	93.074	4,000
Total U.S. Department of Health and Human Services		<u>4,355,809</u>

**COUNTY OF OTTAWA**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Expenditures
<u>U.S. Department of Labor:</u>		
Passed through Michigan Strategic Fund:		
WIA - Local Administrator AY10	Cluster	\$ 22,006
WIA - Local Administrator AY12	Cluster	127,498
WIA - Local Administrator AY13	Cluster	3,614
FY13 WIA DIS WKRS Nat Res-Emergency	17.277	25,640
AY10 WIA Statewide Activities	Cluster	5,885
AY12 WIA Statewide Activities	Cluster	33,851
AY13 WIA Statewide Activities	Cluster	6,971
WIA AY11 Wagner Peyser 7(A)	17.207	44,338
WIA AY12 Wagner Peyser 7(A)	17.207	425,752
WIA AY13 Wagner Peyser 7(A)	17.207	130,601
WIA - Statewide Activities - AY12 (Project PY2012 Incentive)	17.258,17.259,17.278	1,514
WIA - Dislocated Worker - AY10	17.278	198,058
WIA - Dislocated Worker - AY12	17.278	481,243
WIA - Dislocated Worker - AY13	17.278	33,958
FY13 Trade Adjustment Assistance Grant - 2009/11	17.245	8,500
FY14 Trade Adjustment Assistance Grant - 2009/11	17.245	38,988
FY13 Trade Adjustment Assistance Grant - 2009/11	17.245	408,448
FY13 Trade Adjustment Assistance Grant	17.245	14,095
FY14 Trade Adjustment Assistance Grant	17.245	8,069
Workforce Investment Act - Youth AY12	17.259	590,512
Workforce Investment Act - Adult AY12	17.258	440,435
Workforce Investment Act - Adult AY13	17.258	62,782
RES/REA EUC Administration	17.225	85,998
RES/REA EUC For Claimants	17.225	13,889
Total passed through Michigan Strategic Fund		<u>3,212,645</u>
<u>U.S. Department of Justice:</u>		
Direct:		
Byrne Memorial Formula Grant - 2010-DJ-BX-1514	16.738	16,201
Byrne Memorial Formula Grant - 2012-DJ-BX-0731	16.738	23,237
Byrne Memorial Formula Grant - 2012-DJ-BX-0692	16.738	15,389
State Criminal Alien Assistance Program	16.606	20,394
State Justice Institute - Michigan Juvenile Justice Vision 20/20 * High Performance Court - SJI-12-T-136	N/A	35,000
State Justice Institute - Michigan Juvenile Justice Vision 20/20 * Juvenile Justice Data Sharing Program - SJI-13-T-086	N/A	24,976
* Funding provided under the Commerce, Justice, and Science Appropriation Bill, Title IV Funding		
Second Chance Grant Reentry Initiative 2011-CZ-BX-0051	16.812	528,295
Drug Court Discretionary Grant 2011-DC-BX-0026	16.585	41,071
Organized Crime Drug Enforcement Task Forces (OCDETF)	N/A	2,050
Total direct		<u>706,613</u>
Passed through Michigan State Police:		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	121,116
Total U.S. Department of Justice		<u>827,729</u>
<u>U.S. Department of Housing and Urban Development:</u>		
Direct:		
Supportive Housing Program	14.235	294,298
Supportive Housing Program	14.235	24,417
CDBG - MSC-2010-5828-HOA	14.228	66,824
Emergency Solutions Grant (ESG) HML-2013-5826-ESF	14.231	95,868
Emergency Solutions Grant (ESG) HML-2011-5826	14.231	54,517
Emergency Solutions Grant (ESG) HML-2012-5826	14.231	114,922
Total direct		<u>650,846</u>

**COUNTY OF OTTAWA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

Federal Grantor/Pass-through Grantor/Program or Cluster Title	CFDA Number	Expenditures
Passed through Michigan State Housing Development Authority:		
Section 8 FSS (Family Self Sufficiency)	14.871	\$ 1,475
CDBG - MSC-2010-5828-HOA - Program Income/Participation Fees	14.228	13,908
CSBG - MSC-2012-5826-HOA - Program Income	14.228	997
Total passed through Michigan State Housing Development Authority		16,380
Total U.S. Department of Housing and Urban Development		667,226
<u>U.S. Department of Transportation:</u>		
Passed through Michigan Department of State Police:		
Hazardous Materials Emergency Preparedness Planning	20.703	1,750
Passed through City of Holland:		
Strategic Traffic Enforcement Program HVE/OWI	20.600	19,885
Ticketing Aggressive Cars and Trucks	20.218	16,172
Total passed through City of Holland		36,057
Passed through Michigan Department of Community Health:		
Safe Routes to School	20.205	7,169
Total U.S. Department of Transportation		44,976
<u>U.S. Department of Homeland Security:</u>		
Direct:		
2011 Port Security Equipment & Training	97.056	4,676
2010 Port Security Equipment & Training	97.056	682
Total direct		5,358
Passed through Michigan Department of State Police:		
Emergency Management Performance Grant	97.042	38,212
Emergency Management Performance Grant - 2011 Supplemental	97.042	11,892
Emergency Management Performance Grant - 2010 Supplemental	97.042	4,226
FEMA - Public Assistance Grant	97.036	49,254
Total passed through Michigan Department of State Police		103,584
Passed through West Michigan Shoreline Regional Development Commission, Region 6 HLSRGB:		
Homeland Security Equipment Grant	97.067	396,086
Homeland Security Grant Program - 2010	97.067	216,347
Homeland Security Grant Program - 2011	97.067	45,680
Homeland Security Grant Program - 2012	97.067	15,600
Total passed through West Michigan Shoreline Regional Development Commission, Region 6 HLSRGB		673,713
Total U.S. Department of Homeland Security		782,655
<u>Executive Office of the President:</u>		
Passed through Michigan Department of State Police:		
High Intensity Drug Trafficking Areas (HIDTA) - Sheriff	N/A	5,979
<u>U.S. Department of Education:</u>		
Passed through Ottawa Area Intermediate School District		
Title I State Agy Prog for Neglected and Delinqt Children	84.013	48,785
<b>Total Expenditures of Federal Awards</b>		<b>\$ 10,729,022</b>

See notes to schedule of expenditures of federal awards.

# COUNTY OF OTTAWA

## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

**FOR THE YEAR ENDED DECEMBER 31, 2013**

### 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 September 30, 2013 and December 31, 2013. Programs that fall under a different fiscal year are reported on the schedule expenditures of federal awards based on the fund's 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>
Homeland Security Grant	97.067	\$ 256,820
Emergency Solutions Grant	14.231	234,044
Second Chance Act Prisoner Reentry	16.812	303,060
Unemployment Insurance	17.225	49,055
Trade Adjustment Assistance	17.245	91,354
Wagner-Peyser Employment	17.207	204,709
<b>Total</b>		<b><u>\$1,139,042</u></b>

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.

### 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:

	<b>CFDA #</b>	<b>93.268</b>
		Regular
		<u>Vaccines</u>
Expenditures as reported		\$ 470,164
Less - inventory at beginning of year		(172,291)
Add - inventory at end of year		<u>128,521</u>
Vaccines received per State of Michigan		<u>\$ 426,394</u>

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**COUNTY OF OTTAWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

**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? \_\_\_\_\_ 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

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.565, 10.568	Food Distribution
16.812	Second Chance Act Prisoner Reentry
17.207	Wagner-Peyser Employment
17.245	Trade Adjustment Assistance
17.258, 17.259, 17.278	WIA Cluster
81.042	Weatherization Assistance
93.268	Immunization Cooperative Agreements
93.558	Temporary Assistance for Needy Families
93.778	Medical Assistance
97.067	Homeland Security

Dollar threshold used to distinguish between Type A and B programs:   \$321,871  

Auditee qualified as low-risk auditee? \_\_\_\_\_ yes   X   no

**SECTION II - FINANCIAL STATEMENT FINDINGS**

None noted.

**SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

**2013-1 - CFDA #97.067**

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

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

**COUNTY OF OTTAWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

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**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 had intended to implement the new capital assets software module in 2013 and address this issue at the same time, but the implementation was delayed. The County is still in process of developing an entity-wide equipment management policy that will include a provision for conducting the required physical inventory of equipment.

**2013-2 - CFDA #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:** While the appropriate County employees were aware of the applicable compliance requirements and the standard contract verbiage had been modified to include the appropriate communications, the subawards selected for testing were extensions of previously signed agreements for which there was no new contract issued. The appropriate communications were not included in the award extension notifications to the subrecipients.

**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 has since modified all subaward grant agreements, subaward extensions, contracts and contractual modifications to include all required components of OMB Circular A-133.

**2013-3 - CFDA #93.778, 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.

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

**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:** Hours charged to the federal grants are supported by personnel activity reports which do not track the personnel hours charged to non-federal programs. The County is in process of determining whether these activity reports can be expanded to tie directly to the County's payroll system as part of a procedure to comply with the standards for payroll documentation.

**2013-4 - CFDA #93.268, 93.778, 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 still in process of adding a monitoring component to financial reporting for this department. This finding was in a specific department that had new staff who was not aware that additional monitoring/review was needed.

**COUNTY OF OTTAWA**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE YEAR ENDED DECEMBER 31, 2013**

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**2013-5 - 10.565, 10.568**

**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 at the department level there was full compliance with the compliance requirements. However, it was noted during testing of procurement transactions at the County-wide purchasing level there were no verification checks being 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.

**SECTION IV - SUMMARY OF PRIOR AUDIT FINDINGS**

**2012-1**

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

This finding was resolved for CFDA #81.128 since the award has been discontinued and is repeated as 2013-1 for CFDA #97.067.

**2012-2**

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

This finding was corrected for CFDA #17.245, was resolved for CFDA #17.258, 17.259, 17.260, 17.278, 93.558 since there were no subrecipients during the year and repeated as 2013-2 for CFDA #16.812.

**2012-3**

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.

This finding is repeated as 2013-3 for CFDA #66.469 and adding CFDA #93.778.

**2012-4**

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.

This finding is repeated as 2013-4 for CFDA #66.469 and adding CFDA #93.268, 93.778.

**2012-5**

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.

This finding was corrected for CFDA #16.812 and repeated as 2013-5 by adding CFDA #10.565 and 10.568.

**2012-6**

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.

This finding was corrected.