

Bay County,  
Michigan



Year Ended  
December 31,  
2012

Single Audit Act  
Compliance

# BAY COUNTY, MICHIGAN

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INDEPENDENT AUDITORS' REPORT ON THE  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
REQUIRED BY OMB CIRCULAR A-133

August 27, 2013

Board of Commissioners of  
Bay County  
Bay City, 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 **Bay County, Michigan**, 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. We issued our report thereon dated June 26, 2013. Our report includes a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the 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 is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic 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 basic financial statements or to the basic 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 states, in all material respects, in relation to the basic financial statements as a whole.

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**BAY COUNTY, MICHIGAN**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2012**

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Grant Period	Federal Expenditures
<b>U.S. Department of Agriculture</b>					
Child Nutrition Cluster:					
Juvenile Home-National School Breakfast	10.553	MDE	90008002	10-01-11 to 09-30-12	\$ 5,774
Juvenile Home-National School Breakfast	10.553	MDE	90008002	10-01-12 to 09-30-13	1,950
Juvenile Home-National School Lunch	10.555	MDE	90008002	10-01-11 to 09-30-12	8,878
Juvenile Home-National School Lunch	10.555	MDE	90008002	10-01-12 to 09-30-13	3,044
					<u>19,646</u>
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC):					
Women, Infants & Children Supplemental Food	10.557	MDCH	IW100342	10-01-11 to 09-30-12	367,695
Women, Infants & Children Supplemental Food	10.557	MDCH	IW100342	10-01-12 to 09-30-13	122,565
					<u>490,260</u>
<b>Total U.S. Department of Agriculture</b>					
					<u>509,906</u>
<b>U.S. Department of Commerce/National Oceanic Atmosphere Administration</b>					
Area of Concern Land Acquisition	11.463	MDEQ	NA11N054630166	10-01-11 to 09-30-13	<u>2,292</u>
<b>U.S. Department of Commerce/National Institute of Standards and Technology</b>					
FY07 PSIC Baseline	11.555	MSP	2007-GS-H7-0043	10-01-07 to 06-30-12	<u>43,707</u>
<b>U.S. Department of Housing and Urban Development</b>					
Bay County Housing Assistance Program	14.228	MSHDA	MSC2010-0757-HOA	07-01-10 to 12-31-12	<u>96,837</u>
<b>U.S. Department of Justice</b>					
Elder Abuse - Office of Violence Against Women	16.528	Direct	2011-EW-AX-K002	01-01-12 to 09-30-14	<u>46,804</u>
Juvenile Justice and Delinquency Prevention	16.540	MDHS	JDMHC-12-09001	10-01-11 to 09-30-12	<u>85,222</u>
Victims of Crime Act (VOCA)-Abuse Intervention	16.575	MSP	20745-11V09	10-01-11 to 09-30-12	46,294
Victims of Crime Act (VOCA)-Abuse Intervention	16.575	MSP	20745-12V09	10-01-12 to 09-30-13	17,224
					<u>63,518</u>
JAG Program Cluster:					
Justice Assistance Grant	16.738	Direct	2011-DJ-BX-3086	10-01-11 to 09-30-12	818
Bay Area Narcotics Enforcement Team-Prosecutor	16.738	MSP	2011-DJ-BX-2440	10-01-11 to 09-30-12	12,527
Bay Area Narcotics Enforcement Team-Prosecutor	16.738	MSP	2012-BJ-BX-0109	10-01-12 to 09-30-13	5,826
Bay Area Narcotics Enforcement Team-Sheriff	16.738	MSP	2011-DJ-BX-2440	10-01-11 to 09-30-12	31,039
Bay Area Narcotics Enforcement Team-Sheriff	16.738	MSP	2012-BJ-BX-0109	10-01-12 to 09-30-13	10,395
Formula Edward Byrne Justice Assistance Grant	16.738	MSP	2011-DJ-BX-2240	10-01-11 to 09-30-12	100,000
Formula Edward Byrne Justice Assistance Grant	16.738	MSP	2012-DJ-BX-0109	10-01-12 to 09-30-13	9,337
					<u>169,942</u>
<b>Total U.S. Department of Justice</b>					
					<u>365,486</u>
<b>U.S. Department of Transportation</b>					
Highway Planning & Construction Cluster:					
Highway Planning & Construction	20.205	MDOT	PL77410	10-01-11 to 09-30-12	116,688
Highway Planning & Construction	20.205	MDOT	PL77410	10-01-12 to 09-30-13	35,259
Federal Transit Administration	20.205	MDOT	2012-0002/Z3	10-01-11 to 09-30-12	36,639
Federal Transit Administration	20.205	MDOT	2012-0002/6	10-01-12 to 09-30-13	17,334
					<u>205,920</u>
<b>U.S. Department of Transportation (continued)</b>					
Highway Safety Cluster:					
Safe Communities	20.600	MSP	PT-12-05	10-01-11 to 09-30-12	4,628
Safe Communities	20.601	MSP	PT-12-05	10-01-11 to 09-30-12	6,558
					<u>11,186</u>
<b>Total U.S. Department of Transportation</b>					
					<u>217,106</u>

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**BAY COUNTY, MICHIGAN**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2012**

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Grant Period	Federal Expenditures
<b>U.S Department of Veterans Affairs / VA Health Administration Center</b>					
Veteran's Self-Directed Care	64.009	Region VII	N/A	10-01-11 to 09-30-12	\$ 814
Veteran's Self-Directed Care	64.009	Region VII	N/A	10-01-12 to 09-30-13	286
<b>Total U.S Department of Veterans Affairs / VA Health Administration Center</b>					<b>1,100</b>
<b>U.S. Environmental Protection Agency</b>					
Water Quality Management Planning	66.454	MDEQ	2008-0102/C600E5480105	10-15-11 to 06-30-12	5,311
Great Lakes Program:					
Fish & Wildlife Habitat Development - Phragmites	66.469	MDEQ	HabITS#544410	09-09-10 to 09-09-20	795
Great Lakes Restoration-Saginaw River Model	66.469	MDEQ	N/A	01-01-10 to 12-31-12	2,777
Great Lakes Restoration-Beach Monitoring	66.469	MDEQ	N/A	01-01-10 to 12-31-12	53,494
Great Lakes Restoration-Beach Model	66.469	MDEQ	N/A	01-01-10 to 12-31-12	20,148
					<u>77,214</u>
Beach Monitoring Program	66.472	MDEQ	N/A	10-01-11 to 09-30-12	5,000
Superfund State, Political Subdivision, and Indian Tribe Site - Specific Cooperative Agreements:					
EPI-Administration	66.802	MDCH	V00E00740	10-01-11 to 09-30-12	51,508
EPI-Administration	66.802	MDCH	V00E00740	10-01-12 to 09-30-13	16,164
					<u>67,672</u>
<b>Total U.S. Environmental Protection Agency</b>					<b>155,197</b>
<b>U.S. Department of Education</b>					
Early Intervention Services (IDEA) Cluster:					
Maternal & Infant Support - Early On Part C of IDEA	84.181	BAISD	1348/199	07-01-11 to 10-15-12	23,679
Maternal & Infant Support - Early On Part C of IDEA	84.181	BAISD	1348/199	07-01-12 to 06-30-13	21,312
<b>Total U.S. Department of Education</b>					<b>44,991</b>
<b>U.S. Department of Health and Human Services</b>					
Title IIID Evidence-Based MOB	93.043	Region VII	N/A	10-01-11 to 09-30-12	468
Aging Cluster:					
Title IIIB Homemaking	93.044	Region VII	N/A	10-01-11 to 09-30-12	659
Title IIIB Homemaking	93.044	Region VII	N/A	10-01-12 to 09-30-13	205
POS Homemaking-Care Management	93.044	Region VII	N/A	10-01-11 to 09-30-12	19,960
POS Homemaking-Care Management	93.044	Region VII	N/A	10-01-12 to 09-30-13	6,779
POS Personal Care-Care Management	93.044	Region VII	N/A	10-01-11 to 09-30-12	1,927
POS Personal Care-Care Management	93.044	Region VII	N/A	10-01-12 to 09-30-13	699
Title IIIB Personal Care	93.044	Region VII	N/A	10-01-11 to 09-30-12	85
Title IIIB Case Coordination	93.044	Region VII	N/A	10-01-11 to 09-30-12	36,478
Title IIIB Case Coordination	93.044	Region VII	N/A	10-01-12 to 09-30-13	17,897
C-1 Congregate Meals	93.045	Region VII	N/A	10-01-11 to 09-30-12	58,195
C-1 Congregate Meals	93.045	Region VII	N/A	10-01-12 to 09-30-13	18,108
C-2 Home Delivered Meals	93.045	Region VII	N/A	10-01-11 to 09-30-12	103,002
C-2 Home Delivered Meals	93.045	Region VII	N/A	10-01-12 to 09-30-13	33,006
NSIP Congregate Meals	93.053	Region VII	N/A	10-01-11 to 09-30-12	19,271
NSIP Congregate Meals	93.053	Region VII	N/A	10-01-12 to 09-30-13	6,525
NSIP Home Delivered Meals	93.053	Region VII	N/A	10-01-11 to 09-30-12	53,512
NSIP Home Delivered Meals	93.053	Region VII	N/A	10-01-12 to 09-30-13	18,455
NSIP Millage Meal Sites	93.053	Region VII	N/A	10-01-11 to 09-30-12	717
NSIP Millage Meal Sites	93.053	Region VII	N/A	10-01-12 to 09-30-13	264
					<u>395,744</u>

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**BAY COUNTY, MICHIGAN**

**Schedule of Expenditures of Federal Awards  
For the Year Ended December 31, 2012**

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Grant Period	Federal Expenditures
<b>U.S. Department of Health and Human Services (continued)</b>					
National Family Caregiver Support, Title III, Part E:					
Title IIIE Caregiver Training	93.052	Region VII	N/A	10-01-11 to 09-30-12	\$ 12,561
Title IIIE Caregiver Training	93.052	Region VII	N/A	10-01-12 to 09-30-13	5,808
Title IIIE Caregiver Supplemental Services	93.052	Region VII	N/A	10-01-11 to 09-30-12	3,947
Title IIIE Caregiver Supplemental Services	93.052	Region VII	N/A	10-01-12 to 09-30-13	1,311
Title IIIE Kinship Care	93.052	Region VII	N/A	10-01-11 to 09-30-12	250
Title IIIE Kinship Care	93.052	Region VII	N/A	10-01-12 to 09-30-13	650
					<u>24,527</u>
Public Health Emergency Preparedness:					
Bioterrorism	93.069	MDCH	U90TP517018	10-01-11 to 09-30-12	96,333
Bioterrorism	93.069	MDCH	U90TP000528	10-01-12 to 09-30-13	32,193
					<u>128,526</u>
Project Grants and Cooperative Agreements for Tuberculosis Control Programs:					
TB Control	93.116	MDCH	U52CCU500499	10-01-11 to 09-30-12	100
TB Control	93.116	MDCH	U52CCU500499	10-01-12 to 09-30-13	24
					<u>124</u>
Family Planning Services:					
Family Planning	93.217	MDCH	GFPHPA05017341	10-01-11 to 09-30-12	61,289
Family Planning	93.217	MDCH	GFPHPA05017341	10-01-12 to 09-30-13	21,009
					<u>82,298</u>
Immunization Cluster:					
CSHSC-Care Coordination	93.268	MDCH	N/A	10-01-11 to 09-30-12	3,350
Immunization Action Plan	93.268	MDCH	H23CCH522556	10-01-11 to 09-30-12	36,171
Immunization Action Plan	93.268	MDCH	H23CCH522556	10-01-12 to 09-30-13	12,079
Immunization/Vaccines	93.268	MDCH	H23CCH522556-01-4	10-01-12 to 09-30-13	139,206
					<u>190,806</u>
Child Support Enforcement:					
IV-D Performance Incentive-Friend of the Court	93.563	MDHS	N/A	10-01-11 to 09-30-12	107,768
IV-D Performance Incentive-Friend of the Court	93.563	MDHS	N/A	10-01-12 to 09-30-13	39,469
IV-D Cooperative Reimburse - Friend of the Court	93.563	MDHS	CSFOC-10-09001	10-01-11 to 09-30-12	706,626
IV-D Cooperative Reimburse - Friend of the Court	93.563	MDHS	CSFOC-13-09001	10-01-12 to 09-30-13	249,332
IV-D Cooperative Reimburse - Prosecuting Attorney	93.563	MDHS	CSPA-10-09002	10-01-11 to 09-30-12	74,022
IV-D Cooperative Reimburse - Prosecuting Attorney	93.563	MDHS	CSPA-13-09002	10-01-12 to 09-30-13	25,356
					<u>1,202,573</u>
Grants to States for Access and Visitation Programs:					
Federal Access and Visitation Grant	93.597	SCAO	N/A	10-01-11 to 09-30-12	1,262
Federal Access and Visitation Grant	93.597	SCAO	N/A	10-01-12 to 09-30-13	220
					<u>1,482</u>
Prosecuting Attorney Title IV-E	93.658	MDHS	N/A	02-01-11 to 12-31-13	35,427
ARRA - MI Collaborative Prevention Project	93.723	MDCH	3U58DPO01973	10-01-11 to 09-30-12	1,209
Medicaid Cluster:					
Medicaid Outreach	93.778	MDCH	5XX05MI5048	10-01-11 to 09-30-12	34,736
Medicaid Outreach	93.778	MDCH	5XX05MI5048	10-01-12 to 09-30-13	15,867
POS Waiver	93.778	Region VII	N/A	10-01-11 to 09-30-12	22,283
POS Waiver	93.778	Region VII	N/A	10-01-12 to 09-30-13	7,273
CSHSC-Outreach & Advocacy	93.778	MDCH	05U05M15ADM	10-01-11 to 09-30-12	9,796
CSHSC-Outreach & Advocacy	93.778	MDCH	05U05M15ADM	10-01-12 to 09-30-13	6,969
CSHSC-Medicaid Outreach	93.778	MDCH	05U05M15ADM	10-01-11 to 09-30-12	12,829
					<u>109,753</u>
MIPPA - 2	93.779	Region VII	N/A	10-01-11 to 09-30-12	612

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## BAY COUNTY, MICHIGAN

### Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2012

Federal Agency / Cluster / Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Grant Period	Federal Expenditures
<b>U.S. Department of Health and Human Services (Concluded)</b>					
Maternal and Child Health Services Block Grant to the States:					
Local MCH	93.994	MDCH	B1MIMCHS	10-01-11 to 09-30-12	\$ 47,934
Local MCH	93.994	MDCH	B1MIMCHS	10-01-12 to 09-30-13	15,978
					<u>63,912</u>
CSHSC-Outreach & Advocacy	93.994	MDCH	B1MIMCHS	10-01-11 to 09-30-12	11,821
Family Planning	93.994	MDCH	B1MIMCHS	10-01-11 to 09-30-12	2,800
					<u>14,621</u>
<b>Total U.S. Department of Health and Human Services</b>					<u>2,252,082</u>
<b>U.S. Department of Homeland Security</b>					
Emergency Management Performance Grants:					
Emergency Management Assistance	97.042	MSP	2012-EP-00-00033	10-01-11 to 09-30-12	18,385
Emergency Management Assistance	97.042	MSP	2013-EP-00026-501	10-01-12 to 09-30-13	7,017
					<u>25,402</u>
2010 Interoperable Communications	97.055	MSP	N/A	06-01-09 to 02-28-13	<u>49,868</u>
Homeland Security Grant Program:					
2008 SHSP Region 3	97.067	MSP	N/A	09-1-08 to 05-31-12	33,820
2008 CITIZENS CORPS Region 3	97.067	MSP	N/A	10-01-09 to 05-31-12	3,933
2009 SHSP Region 3	97.067	MSP	N/A	08-01-09 to 10-31-12	2,222,016
2009 CITIZENS CORPS Region 3	97.067	MSP	N/A	08-1-09 to 10-31-12	29,499
2010 SHSP Region 3	97.067	MSP	N/A	08-01-10 to 04-30-13	961,892
2010 CITIZENS CORPS Region 3	97.067	MSP	N/A	08-01-10 to 04-30-13	1,750
					<u>3,252,910</u>
<b>Total U.S. Department of Homeland Security</b>					<u>3,328,180</u>
<b>Total Expenditures of Federal Awards</b>					<u>\$ 7,016,884</u>

# BAY COUNTY, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

### 1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Bay County, Michigan (the "County") under programs of the federal government for the year ended December 31, 2012. The information in this schedule is presented in accordance with the requirements of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net assets or cash flows of the County.

### 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the County's financial statements. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

### 3. PASS-THROUGH AGENCIES

The County receives certain federal grant as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
BAISD	Bay - Arenac Intermediate School District
MDCH	Michigan Department of Community Health
MDE	Michigan Department of Education
MDEQ	Michigan Department of Environmental Quality
MDHS	Michigan Department of Human Services
MDOT	Michigan Department of Transportation
MSP	Michigan State Police
MSHDA	Michigan State Housing Development Authority
Region VII	Region VII Area Agency on Aging
SCAO	Michigan State Court Administrative Office



# BAY COUNTY, MICHIGAN

## Notes to Schedule of Expenditures of Federal Awards

### 4. SUBRECIPIENTS

The County administers certain federal awards programs through subrecipients. Those subrecipients are not considered part of the County's reporting entity. Of the federal expenditures presented in the Schedule, the County provided federal awards to subrecipients as follows:

Program Title	CFDA Number	Amount Provided to Subrecipients
2007 PSIC Baseline	11.555	\$ 43,707
2008 SHSP Region 3	97.067	29,544
2008 CITIZENS CORPS PROGRAM Region 3	97.067	3,819
2009 SHSP Region 3	97.067	1,555,957
2009 CITIZENS CORPS PROGRAM Region 3	97.067	29,149
2010 SHSP Region 3	97.067	817,470
2010 CITIZENS CORPS PROGRAM Region 3	97.067	1,750
2010 Interoperable Emergency Communications Region 3	97.055	49,868
		<u>\$ 2,531,264</u>

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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 26, 2013

To the Board of Commissioners of  
Bay County  
Bay City, 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 **Bay County, 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 basic financial statements of the County, and have issued our report thereon dated August 27, 2013. Our report includes a reference to other auditors who audited the financial statements of the Bay County Housing Fund, Medical Care Facility, Bay County Road Commission, and Bay County Department of Water and Sewer, as described in our report on the County's financial statements. This report does not include the results of the 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 Bay County, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we reported to management of Bay County, Michigan in a separate letter dated June 26, 2013.

### **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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON  
INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

August 27, 2013

To the Board of Commissioners of  
Bay County  
Bay City, Michigan**Report on Compliance for Each Major Federal Program**

We have audited *Bay County, Michigan's* 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 Bay County, Michigan's major federal programs for the year ended December 31, 2012. The Bay County, Michigan's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Bay County, Michigan's basic financial statements include the operations of the Bay County Housing fund, Medical Care Facility, Bay County Road Commission, and Bay County Department of Water and Sewer, which received \$782,413 in federal awards which is not included in the schedule during the year ended December 31, 2012. Our audit, described below, did not include the operations of these funds and component units because they engaged other auditors to perform an audit in accordance with Circular A-133.

***Management's Responsibility***

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

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Bay County, Michigan'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 Bay County, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Bay County, Michigan's compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, Bay County, Michigan 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 an instance of immaterial noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-SA-1. Our opinion on each major federal program is not modified with respect to this matter.

Bay County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. Bay 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.

### **Report on Internal Control Over Compliance**

Management of Bay County, Michigan 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 Bay County, Michigan'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 Bay County, Michigan's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *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, material weaknesses may exist that have not been identified.

***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.

A handwritten signature in black ink that reads "Lehmann Lobson LLC". The signature is written in a cursive, flowing style. The text is centered horizontally and appears to be written on a light-colored background.

# BAY COUNTY, MICHIGAN

## 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

#### Federal Awards

Internal control over major programs:

Material weakness(es) identified?        yes   X   no

Significant deficiency(ies) identified?        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

Identification of major programs:

#### CFDA Number

93.563  
97.067

#### Name of Federal Program or Cluster

Child Support Enforcement  
Homeland Security Grant

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

Auditee qualified as low-risk auditee?        yes   X   no

# BAY COUNTY, MICHIGAN

## Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2012

### SECTION II - FINANCIAL STATEMENT FINDINGS

None in the current year

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

#### 2012-SA-1 - Preparation and Reconciliation of the Schedule of Expenditures of Federal Awards

**Finding Type.** Immaterial Noncompliance

**Program.** All Federal awards

**Criteria.** OMB Circular A-133, §\_\_.300, requires that a recipient of federal awards subject to a single audit "identify, in its accounts, all Federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the federal agency, and name of the pass-through entity." In addition, the County is required to "prepare appropriate financial statements, including the Schedule of Expenditures of Federal Awards in accordance with §\_\_.310."

**Condition.** The County had erroneously included expenditures of State grant funds and excluded Federal grant funds in the initial Schedule of Expenditures of Federal Awards (SEFA). In addition, reconciliations of the Federal expenditures were not completed for every Federal grant.

**Cause.** As is the case with many County governments, Bay County administers a vast array of federal and state grants throughout its many departments, resulting in a management oversight of various items that are required to be included on/excluded from the SEFA.

**Effect.** As a result of this condition, the County's SEFA was initially misstated. In addition, there are immaterial irreconcilable differences between the SEFA and the underlying financial data.

**Questioned Costs.** No costs were required to be questioned as a result of this finding as no unallowable costs were identified.

**Recommendation.** We recommend that the County carefully review and reconcile its prepared SEFA to ensure that all federal awards are properly included, all CFDA numbers are correct, and all pass-through award numbers have been updated and checked for accuracy.

**View of Responsible Officials.** We agree with the auditors' recommendation. Procedures to enhance communication between departments relative to grants have been implemented.



# BAY COUNTY, MICHIGAN

## Summary Schedule of Prior Audit Findings For the Year Ended December 31, 2012

### 2011-SA-1 - Vendor Contract Expiration

The County had several expired vendor contracts related to grant projects which had been extended by the Federal government for a term past the original contract completion date. The vendor contracts were not formally renewed by the County, which resulted in payments of \$563,939 for otherwise allowable services under expired contracts. This issue was resolved during the current year.

