

MARQUETTE COUNTY

Montello, Wisconsin

REPORT ON FEDERAL AND STATE AWARDS

For the Year Ended December 31, 2012

MARQUETTE COUNTY

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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*

Independent Auditors' Report

To the County Board of Supervisors
Marquette County
Montello, Wisconsin

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marquette County, Wisconsin as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Marquette County's basic financial statements and have issued our report thereon dated August 1, 2013.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the first paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses. These material weaknesses are items 12-1 and 12-2.

County Board of Supervisors
Marquette County

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Marquette 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*.

Marquette County's Response to Findings

Marquette County's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Marquette County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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.

Baker Tilly Vichao Krause, LLP

Madison, Wisconsin
August 1, 2013

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY
OMB CIRCULAR A-133 AND THE *STATE SINGLE AUDIT GUIDELINES*

Independent Auditors' Report

To the County Board of Supervisors
Marquette County
Montello, Wisconsin

Report on Compliance for Each Major Federal and Major State Program

We have audited Marquette County, Wisconsin's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of Marquette County's major federal and major state programs for the year ended December 31, 2012. Marquette County's major federal and major state programs are identified in the summary of auditor's 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 and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Marquette County's major federal and major state 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the *State Single Audit Guidelines*. Those standards, OMB Circular A-133, and the *State Single Audit Guidelines* 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 or major state program occurred. An audit includes examining, on a test basis, evidence about Marquette 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 and major state program. However, our audit does not provide a legal determination of Marquette County's compliance.

Opinion on Each Major Federal and Major State Program

In our opinion, Marquette 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 and major state programs for the year ended December 31, 2012.

Report on Internal Control Over Compliance

Management of Marquette County is responsible for establishing and maintaining effective internal control over compliance with the types of requirements referred to above. In planning and performing our audit of compliance, we considered Marquette County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or major state 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 and major state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, 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 Marquette 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 or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a 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 or state 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 or state 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 and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

County Board of Supervisors
Marquette County

Report on Schedule of Expenditures of Federal and State Awards Required by OMB Circular A-133 and the State Single Audit Guidelines

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Marquette County, Wisconsin as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise Marquette County's basic financial statements. We issued our report thereon dated August 1, 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. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by OMB Circular A-133 and the *State Single Audit Guidelines* 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 and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

Baker Tilly Vuchow Krause, LLP

Madison, Wisconsin
September 23, 2013

MARQUETTE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2012

Grantor Agency / Program Title	Federal CFDA Number	Pass Through Agency	Revenues			Total Revenues	Expenditures
			(Accrued) Deferred Beginning Balance	Cash Received (Refunded)	Accrued (Deferred) Ending Balance		
FEDERAL PROGRAMS							
U. S. Department of Agriculture							
State Administration Matching Grants for Food Stamp Program	10.561	DHS	\$ -	\$ 2,342,094	\$ -	\$ 2,342,094	\$ 2,342,094
Total U.S. Department of Agriculture			-	2,342,094	-	2,342,094	2,342,094
U.S. Department of Housing and Urban Development							
Community Development Block Grant/State's Program	14.228	DOA	(126,000)	126,000	-	-	-
Total U.S. Department of Housing and Urban Development			(126,000)	126,000	-	-	-
U.S. Department of Transportation							
State and Community Highway Safety	20.600	DOT	-	24,165	-	24,165	24,165
Total U.S. Department of Transportation			-	24,165	-	24,165	24,165
U.S. Department of Education							
Special Education - Grants for Infants and Families	84.181	DHS	-	8,394	-	8,394	8,394
Total U.S. Department of Education			-	8,394	-	8,394	8,394
U.S. Department of Health and Human Services							
Title III, Part F - Preventive Health	93.043	DHS	-	2,206	-	2,206	2,206
Aging Cluster							
Title III, Part B - Grants for Supportive Services	93.044	DHS	-	27,963	-	27,963	27,963
Title III, Part C - Nutrition Services	93.045	DHS	-	32,995	-	32,995	32,995
Nutrition Services Incentive Program	93.053	DHS	-	21,658	-	21,658	21,658
Total Aging Cluster			-	82,616	-	82,616	82,616

MARQUETTE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2012

Grantor Agency / Program Title	Federal CFDA Number	Pass Through Agency	Revenues			Total Revenues	Expenditures
			(Accrued) Deferred Beginning Balance	Cash Received (Refunded)	Accrued (Deferred) Ending Balance		
U.S. Department of Health and Human Services (cont.)							
Title III, Part E - National Family Caregiver Support	93.052	DHS	\$ -	\$ 10,449	\$ -	\$ 10,449	\$ 10,449
Promoting Safe and Stable Families	93.556	DCF	-	36,050	-	36,050	36,050
Block Grants for Temporary Assistance for Needy Families	93.558	DHS	-	23,485	-	23,485	23,485
Block Grants for Temporary Assistance for Needy Families	93.558	DWD	-	528	-	528	528
Block Grants for Temporary Assistance for Needy Families	93.558	DCF	-	24,109	-	24,109	24,109
Total TANF			-	48,122	-	48,122	48,122
Child Support Enforcement	93.563	DCF	-	196,609	-	196,609	196,609
Low Income Home Energy Assistance Block Grant	93.568	DOA	-	22,328	-	22,328	22,328
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	DWD	-	4,889	-	4,889	4,889
Child Care Mandatory and Matching Funds of the Child Care and Development Fund	93.596	DCF	-	42,667	-	42,667	42,667
Total Child Care Development Fund			-	47,556	-	47,556	47,556
Foster Care - Title IV-E	93.658	DCF	-	84	-	84	84
Social Services Block Grant	93.667	DHS	-	48,258	-	48,258	48,258
Chafee Foster Care Independence Program	93.674	DCF	-	11,000	-	11,000	11,000

MARQUETTE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2012

Grantor Agency / Program Title	Federal CFDA Number	Pass Through Agency	Revenues			Total Revenues	Expenditures
			(Accrued) Deferred Beginning Balance	Cash Received (Refunded)	Accrued (Deferred) Ending Balance		
U.S. Department of Health and Human Services (cont.)							
Children's Health Insurance Program	93.767	DHS	\$ -	\$ 438,265	\$ -	\$ 438,265	\$ 438,265
Medical Assistance Program	93.778	DHS	-	3,376,265	-	3,376,265	3,376,265
Medical Assistance Program - CLTS	93.778	DHS	-	74,218	-	74,218	74,218
Total Medical Assistance Program			-	3,450,483	-	3,450,483	3,450,483
Centers for Medicare and Medicaid Services Research	93.779	DHS	-	1,000	-	1,000	1,000
Block Grants for Community Mental Health Services	93.958	DHS	-	75,134	-	75,134	75,134
Block Grants for Prevention & Treatment of Substance Abuse	93.959	DHS	-	23,939	-	23,939	23,939
Total U.S. Department of Health and Human Services			-	4,494,099	-	4,494,099	4,494,099
U.S. Department of Homeland Security							
Emergency Management Performance Grant	97.042	DMA	-	22,590	-	22,590	22,590
Homeland Security Grant Program	97.067	DOA	-	15,624	-	15,624	15,624
Total U.S. Department of Homeland Security			-	38,214	-	38,214	38,214
TOTAL FEDERAL PROGRAMS			\$ (126,000)	\$ 7,032,966	\$ -	\$ 6,906,966	\$ 6,906,966

MARQUETTE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2012

Grantor Agency / Program Title	State ID Number	Revenues			Total Revenues	Expenditures
		(Accrued) Deferred Beginning Balance	Cash Received (Refunded)	Accrued (Deferred) Ending Balance		
STATE PROGRAMS						
Wisconsin Department of Agriculture, Trade and Consumer Protection						
Clean Sweep Grants	115.040	\$ -	\$ 13,554	\$ -	\$ 13,554	\$ 13,554
County Staff and Support	115.150	(115,078)	115,078	100,004	100,004	100,004
Land and Water Resource Management	115.400	(21,960)	21,960	59,276	59,276	59,276
Total Wisconsin Department of Agriculture, Trade, and Consumer Protection		(137,038)	150,592	159,280	172,834	172,834
Wisconsin Department of Natural Resources						
Recreational Aids - Snowmobile Trail and Area	370.485	(63,642)	103,760	48,850	88,968	88,968
Wildlife Damage Claims and Abatement	370.553	-	35,491	-	35,491	35,491
Recycling Programs	370.670	-	75,241	-	75,241	75,241
Total Wisconsin Department of Natural Resources		(63,642)	214,492	48,850	199,700	199,700
Wisconsin Department of Transportation						
Elderly and Handicapped County Aids	395.101	-	68,117	-	68,117	68,117
Total Wisconsin Department of Transportation		-	68,117	-	68,117	68,117
Wisconsin Department of Corrections						
Youth Aids	410.313	-	41,432	-	41,432	41,432
Total Wisconsin Department of Corrections		-	41,432	-	41,432	41,432

MARQUETTE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2012

Grantor Agency / Program Title	State ID Number	Revenues			Total Revenues	Expenditures
		(Accrued) Deferred Beginning Balance	Cash Received (Refunded)	Accrued (Deferred) Ending Balance		
Wisconsin Department of Health Services						
IMAA State Share	435.283	\$ -	\$ 1,909,083	\$ -	\$ 1,909,083	\$ 1,909,083
IMAA Federal Share	435.284	-	75,689	-	75,689	75,689
Medicaid Subrogation Collection	435.291	-	(44,818)	-	(44,818)	(44,818)
Adult Protective Services	435.312	-	13,185	-	13,185	13,185
Community Options Program	435.367	-	11,972	-	11,972	11,972
Alzheimer's Family Support	435.381	-	5,113	-	5,113	5,113
Certified Mental Health Program	435.517	-	14,091	-	14,091	14,091
Integrated Services for Children with Severe Disabilities	435.530	-	10,095	-	10,095	10,095
Birth to Three Initiative	435.550	-	8,218	-	8,218	8,218
Basic County Allocation	435.561	-	345,425	-	345,425	345,425
IDP Emergency Funds	435.567	-	10,284	-	10,284	10,284
Family Support	435.577	-	17,107	-	17,107	17,107
Base County Allocation - State Match	435.681	-	45,403	-	45,403	45,403
TPA CLTS DD OTHER GPR	435.805	-	49,994	-	49,994	49,994
TPA CLTS MH OTHER GPR	435.811	-	23	-	23	23
CLTS DD OTH CWA ADMIN FED	435.834	-	466	-	466	466
CLTS DD OTH CWA ADMIN GPR	435.835	-	464	-	464	464
Aging & Dis Resource Ctr	435.560010	-	182,843	-	182,843	182,843
Benefit Specialist County	435.560320	-	28,215	-	28,215	28,215
EBS OCI Replacement	435.560327	-	6,550	-	6,550	6,550
Senior Community Svs Prog	435.560330	-	5,394	-	5,394	5,394
Title 3C-1 Cong Meal Prog	435.560350	-	30,792	-	30,792	30,792
Title 3C-2 Home Meals	435.560360	-	1,550	-	1,550	1,550
Elder Abuse Service	435.560490	-	9,900	-	9,900	9,900
Total Wisconsin Department of Health Services		-	<u>2,737,039</u>	-	<u>2,737,039</u>	<u>2,737,039</u>

MARQUETTE COUNTY

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2012

Grantor Agency / Program Title	State ID Number	Revenues			Total Revenues	Expenditures
		(Accrued) Deferred Beginning Balance	Cash Received (Refunded)	Accrued (Deferred) Ending Balance		
Wisconsin Department of Children and Families						
AW DOJ Fingerprint Backgr	437.332	\$ -	\$ 226	\$ -	\$ 226	\$ 226
Basic County Allocation	437.3561	-	82,100	-	82,100	82,100
CW Cty Data Leadership Initiative	437.3611	-	12,620	-	12,620	12,620
F State/ County match	437.3681	-	14,553	-	14,553	14,553
Total Wisconsin Department of Children and Families		-	109,499	-	109,499	109,499
Wisconsin Department of Justice						
Cease Grants	455.241	-	1,796	-	1,796	1,796
Victim/Witness Service Aid	455.503	-	25,094	-	25,094	25,094
Total Wisconsin Department of Justice		-	26,890	-	26,890	26,890
Wisconsin Department of Military Affairs						
Public Safety - Emergency Government Disaster Assistance	465.305	-	5,860	-	5,860	5,860
Public Safety- Emergency Management- Response Equipment	465.308	-	8,605	-	8,605	8,605
Total Wisconsin Department of Military Affairs		-	14,465	-	14,465	14,465
Wisconsin Department of Administration						
Public Benefits	505.371	-	18,430	-	18,430	18,430
Land Information Board Grants	505.438	-	26,234	-	26,234	26,234
Total Wisconsin Department of Administration		-	44,664	-	44,664	44,664
TOTAL STATE PROGRAMS		\$ (200,680)	\$ 3,407,190	\$ 208,130	\$ 3,414,640	\$ 3,414,640

MARQUETTE COUNTY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended December 31, 2012

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards (the “schedule”) includes the federal and state grant activity of Marquette County under programs of the federal and state 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* and the *State Single Audit Guidelines*. Because the schedule presents only a selected portion of the operations of Marquette County, it is not intended to and does not present the financial position, changes in net position or cash flows of Marquette County.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. 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.

The underlying accounting records for some grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred. The accounting records for other grant programs are maintained on the accrual basis, i.e., when the revenue has been earned and the liability is incurred.

NOTE 3 – CARS/CORE REPORT DATES

The Schedule of Expenditures of Federal and State Awards includes adjustments through the Community Aids Reporting System (CARS) reports dated June 1, 2013 and CORE reports for December 2012.

MARQUETTE COUNTY

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: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?

 yes X no

FEDERAL OR STATE AWARDS

Internal control over major programs:

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

Type of auditor’s report issued on compliance for major programs: Unmodified

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

 yes X no

 Federal Programs State Programs

Auditee qualified as low-risk auditee?

 yes X no yes X no

Identification of major federal programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program</u>
10.561	State Administration Matching Grants for Food Stamp Program
93.767	Children’s Health Insurance Program
93.778	Medical Assistance Program

 Federal State

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000 \$ 100,000

Identification of major state programs:

<u>State ID Number</u>	<u>Name of State Program</u>
435.283	IMAA State Share
370.485	Recreational Aids – Snowmobile Trails Aids

MARQUETTE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

FINDING 12-1: CONTROL ENVIRONMENT

Criteria: Statement on Auditing Standards (SAS) 115 requires auditors to communicate circumstances that were evaluated to be significant deficiencies or material weaknesses in the County's internal control over financial reporting.

Condition: As part of the audit, we evaluated controls over major transaction cycles. We identified the following conditions:

CONTROLS OVER HIGHWAY INVENTORY

The highway inventory of construction and maintenance materials (gravel, salt, etc.) required a significant adjustment at year end based on the physical count. There should be controls in place to safeguard these materials and ensure accuracy in reporting materials usage.

Cause: Unknown

Effect: Errors or irregularities could occur as part of these financial processes that may not be discovered by your staff.

Recommendation: We recommend that the County put in place procedures in place to safeguard these materials and ensure accuracy in reporting materials usage.

Management's Response: The County Highway Department will implement procedures to safeguard and ensure accuracy in reporting material usage. Procedures for the loading of materials and recording material usage will be established and reviewed periodically to ensure compliance. Systematic periodic reviews of the physical inventory will be performed over the course of the year to verify and, therefore, identify variances in a timely manner. As a part of the review, we will document the date, methods used to measure and the formulas used to calculate the physical inventory, as well as the person(s) performing and approving the calculations. Access to the site will be limited after normal business hours as the gate will be secured at the end of each day. All Highway employees will be informed of these changes.

FINDING 12-2: INTERNAL CONTROL OVER FINANCIAL REPORTING

Criteria: Statement on Auditing Standards (SAS) 115 requires auditors to communicate circumstances that were evaluated to be significant deficiencies or material weaknesses in the County's internal control over financial reporting.

Condition: The County's annual financial statements and schedule of expenditures of federal awards are prepared by the auditors. Under an ideal set of internal controls, which sufficient staff resources, the financial statements and schedule of expenditures of federal awards would be prepared by the County. Many governments choose to have the auditors prepare the financial statements and schedule of expenditures of federal awards. However, when this occurs, we are required to inform you that the auditing standards define this as a material weakness. In order for the County to avoid this comment, the system of internal controls would need to be able to accomplish the following:

MARQUETTE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS (cont.)

FINDING 12-2: INTERNAL CONTROL OVER FINANCIAL REPORTING

Condition: (cont.)

- a. Present the books and records in such a condition that the auditor is not able to identify any material journal entries as a result of our audit procedures.
- b. Be capable of preparing a complete set of year-end financial statements in such a condition that the auditor is not able to identify any material changes as a result of the audit. This includes drafting the individual fund statements, making conversion entries, drafting the government-wide statements, and preparing footnote disclosures.
- c. Prepare the schedule of expenditures of federal and state awards in such a condition that the auditor is not able to identify any material changes as a result of the audit.

Accomplishing the task of preparing your complete financial statements and schedule of expenditures of federal and state awards is not practical for many governments; however, we are required by the auditing standards to inform you that this is considered a material weakness.

Cause: Due to staffing and financial limitations, certain controls are not easily implemented by the County.

Effect: Errors or irregularities could occur as part of these financial processes that may not be discovered by your staff.

Recommendation: We recommend that the County put in place procedures in order to evaluate if preparation of the financial statements and schedule of expenditures of federal awards by the County would be feasible.

Management's Response: The County acknowledges that it is not practical at this time for the County's Finance Department to prepare the County's Financial Statements or to prepare the schedule of expenditures of federal and state awards due to a small staff and the lack of expertise in these areas. The County will make every effort to present the books and records to the auditors in their final form ready for audit with all entries made.

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS

None noted.

MARQUETTE COUNTY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2012

SECTION IV – OTHER ISSUES

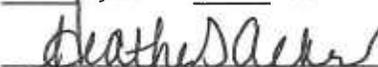
1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? _____ yes X no

2. Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Agriculture, Trade, and Consumer Protection	_____ yes	<u> X </u> no
Department of Natural Resources	_____ yes	<u> X </u> no
Department of Transportation	_____ yes	<u> X </u> no
Department of Corrections	_____ yes	<u> X </u> no
Department of Health Services	_____ yes	<u> X </u> no
Department of Children and Families	_____ yes	<u> X </u> no
Department of Justice	_____ yes	<u> X </u> no
Department of Military Affairs	_____ yes	<u> X </u> no
Department of Administration	_____ yes	<u> X </u> no

3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? X yes _____ no

4. Name and signature of partner



Heather S. Acker, CPA, Partner

5. Date of report

September 23, 2013

MARQUETTE COUNTY
CORRECTIVE ACTION PLAN
For the Year Ended December 31, 2012

12-1 Internal Control Improvements

See "Management's Response" for Finding 12-1 in Section II of the Schedule of Findings and Questioned Costs.

12-2 Internal Control Over Financial Reporting

See "Management's Response" for Finding 12-2 in Section II of the Schedule of Findings and Questioned Costs.