

LAPEER COUNTY, MICHIGAN

**SUPPLEMENTARY INFORMATION TO
BASIC FINANCIAL STATEMENTS**

(FEDERAL AWARDS)

FOR THE YEAR ENDED DECEMBER 31, 2010

**Stewart,
Beauvais
& Whipple P.C.**

CERTIFIED PUBLIC ACCOUNTANTS



LAPEER COUNTY, MICHIGAN

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY FINANCIAL INFORMATION**

To the Board of Commissioners
of Lapeer County
Lapeer, 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 Lapeer County, Michigan, as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 23, 2011. These basic financial statements are the responsibility of Lapeer County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Lapeer County, Michigan's basic financial statements. The Schedule of Expenditures of Federal Awards presented on Pages 6 through 9 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations* and is not a required part of the basic financial statements. The information in this schedule has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.


Certified Public Accountants

June 23, 2011



**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**

To the Board of Commissioners
of Lapeer County
Lapeer, 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 Lapeer County, Michigan, as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements and have issued our report thereon dated June 23, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financing Reporting

In planning and performing our audit, we considered the County of Lapeer, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of Lapeer, Michigan's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of Lapeer, Michigan's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and another deficiency that we consider to be a significant deficiency.

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, which are referenced as 2010-1 and 2010-2.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency, which is referenced as 2010-3.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of Lapeer, 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 matters that we reported to management and those in charge of governance of the County of Lapeer, Michigan in the Audit Communication Letter dated June 23, 2011.

The County of Lapeer, Michigan's responses to the internal control matters and findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. We did not audit the County of Lapeer, Michigan's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, the Lapeer County Board of Commissioners, others within the County of Lapeer, Michigan, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

June 23, 2011



**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT
AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Independent Auditor's Report

To the Board of Commissioners
of Lapeer County
Lapeer, Michigan

Compliance

We have audited the compliance of the County of Lapeer, Michigan, 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 of Lapeer, Michigan's major federal programs for the year ended December 31, 2010. The County of Lapeer, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Lapeer, Michigan's management. Our responsibility is to express an opinion on the County of Lapeer, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. 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 of Lapeer, 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. Our audit does not provide a legal determination of the County of Lapeer, Michigan's compliance with those requirements.

In our opinion, the County of Lapeer, Michigan complied, in all material respects, with the 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, 2010. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, 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 2010-05.

Internal Control Over Compliance

Management of the County of Lapeer, Michigan, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County of Lapeer, Michigan's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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 Lapeer County, Michigan's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2010-01, 2010-04 and 2010-05 to be material weaknesses.

The County of Lapeer, Michigan's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the County of Lapeer, Michigan's responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, the Lapeer County Board of Commissioners, others within the County of Lapeer, Michigan, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

June 23, 2011

LAPEER COUNTY, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
<u>Passed Through the Michigan Department of Community Health:</u>			
Special Supplemental Food Program for Women, Infants, and Children - WIC	10.557	CPBC FY10	\$ 301,654
TOTAL U.S. DEPARTMENT OF AGRICULTURE			301,654
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
<u>Passed Through Michigan Jobs Commission:</u>			
Community Development Block Grant/ Small Cities Program -	14.228		
Economic Development Grant		MSC 209067-EDIG	621,410
Housing Rehabilitation		MSC 2009-0751-HOA	122,888
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			744,298
<u>U.S. DEPARTMENT OF JUSTICE:</u>			
<u>Direct Programs</u>			
ARRA - Public Safety Partnership and Community Policing Program	16.710	N/A	99,657
ARRA - Edward Byrne Memorial Justice Assistance Program	16.804	2009-SB-B9-2914	17,600
Total Direct Programs			117,257
<u>Passed Through The Michigan Department of Human Services:</u>			
State Criminal Alien Assistance Program-	16.606		
Jail Feeding Prisoners		N/A	6,864
Bulletproof Vest Partnership Program	16.607	N/A	9,197
Total Passed Through The Michigan Department of Human Services			16,061
<u>Passed Through The Michigan State Community Health Office of Drug Control Policy:</u>			
ARRA - Edward Byrne Memorial Justice Assistance Program	16.803	2009-SU-B9-0017	136,827
Edward Byrne Memorial Justice Assistance Program-	16.738		
Thumb Narcotics Unit		70898-8-09-B	84,821
Total Passed Through the Michigan State Community Health Office of Drug Control Policy			221,648
TOTAL U.S. DEPARTMENT OF JUSTICE			354,966
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>			
<u>Passed Through The Michigan Department of State Police:</u>			
State and Community Highway Safety -	20.601		
Police Traffic Services		N/A	14,589
Youth Alcohol Enforcement Grant	20.602	N/A	2,095
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			16,684

See Notes to Schedule of Expenditures of Federal Awards

LAPEER COUNTY, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY:</u>			
<u>Passed Through The Michigan Department of Environmental Quality:</u>			
Capitalization Grant for Drinking Water State Revolving Fund - Arsenic Grant	66.468	N/A	\$ 600
Operators Certification	66.471	N/A	2,146
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			2,746
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
<u>Passed Through Lapeer County Intermediate School District:</u>			
Infants and Toddlers with Disabilities - Early on Program	84.181	N/A	160,621
TOTAL U.S. DEPARTMENT OF EDUCATION			160,621
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Passed Through - Valley Area Agency on Aging:</u>			
Title III - Part B - Health Screening	93.043	N/A	915
Title III - Part D - Health Screening		N/A	3,717
Title III - Part F - Health Screening		N/A	1,208
			5,840
Special Programs for the Aging Cluster -			
Title III - Part B - Case Coordination	93.044	N/A	2,657
Title III - Part B - Senior Center Staffing		N/A	9,008
Title III - Part B - In Home Services		N/A	15,599
			27,264
Title III - Part C - Congregate Meals	93.045	N/A	48,206
Title III - Part C - Mobile Meals		N/A	75,222
			123,428
Title III - Part C - Congregate Meals	93.053	N/A	6,355
Title III - Part C - Mobile Meals		N/A	77,705
			84,060
ARRA - Title III - Part C - Mobile Meals	93.705	N/A	702
ARRA - Title III - Part C - Congregate Meals	93.707	N/A	1,424
Total for Special Program for Aging Cluster			236,878
Total Passed Through Valley Area Agency on Aging			242,718

See Notes to Schedule of Expenditures of Federal Awards

LAPEER COUNTY, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (cont'd):</u>			
<u>Passed Through the Michigan Department of Human Services:</u>			
Temporary Assistance to Needy Families -	93.558		
Medical Incentive Payments		N/A	\$ 147,349
Lift Program		N/A	10,000
			<u>157,349</u>
Child Support Enforcement - Title IV-D	93.563		
Friend of the Court - Cooperative Reimbursement (a)		CSFOC09/10-44001	782,603
Prosecuting Attorney - Cooperative Reimbursement (a)		CSPA09/10-44002	93,951
			<u>876,554</u>
Access and Visitation	93.597	N/A	<u>7,770</u>
Total Passed Through The Michigan Department of Human Services			<u>1,041,673</u>
<u>Passed Through Lapeer County Intermediate School District:</u>			
Temporary Assistance to Needy Families -	93.558		
Michigan Works		N/A	<u>23,553</u>
<u>Passed Through Michigan Department of Community Health:</u>			
Temporary Assistance to Needy Families- Wraparound Services	93.558	WRAP-10-44001	<u>3,676</u>
Childhood Immunization Grants -	93.268		
Immunization IAP		CPBC FY10	41,800
VFC Provider Site Visits		CPBC FY10	3,150
Vaccine Doses		N/A	206,015
VFC Nurse Education		CPBC FY10	2,850
			<u>253,815</u>
Childhood Immunization Grants -	93.712		
ARRA - Immunization		CPBC FY10	8,540
ARRA - Vaccine Doses		N/A	38,375
			<u>46,915</u>
Centers for Disease Control - Investigations and Technical Assistance Public Health Emergency Preparedness -	93.069		
H1N1 Vaccine Doses		N/A	41,750
Bioterrorism Grant		CPBC FY10	229,042
			<u>270,792</u>
State Children Insurance Program -	93.767		
Adult Benefit Waiver (a)		N/A	47,138
MI - Child		N/A	30,351
			<u>77,489</u>

See Notes to Schedule of Expenditures of Federal Awards

LAPEER COUNTY, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2010

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (cont'd):</u>			
<u>Passed Through Michigan Department of Community Health (cont'd):</u>			
Medical Assistance Program Title XIX-	93.778		
Medicaid Outreach		N/A	\$ 16,335
Screening and Annual Project Review		N/A	12,777
CSHCS Outreach & Advocacy		CPBC FY10	22,308
			51,420
Substance Abuse and Mental Health Services-			
Projects of Regional and National Significance-	93.243		
Assistance Training Violence Prevention		10B1MICMHS	5,000
Block Grants for Community Mental Health Services -	93.958		
Integrating Health Care		10B1MICMHS	14,250
Infant/Young Child		10B1MICMHS	19,311
Older Adult Services		10B1MICMHS	5,877
			39,438
Maternal and Child Health Services			
Block Grant -	93.994		
Maternal and Child Health Service Block GRT STS		10B1MIMCHS	36,921
Maternal and Child Health Services		10B1MIMCHS	11,246
			48,167
Total Passed Through Michigan Department of Community Health			796,712
<u>Passed Through St. Clair County Community Mental Health-</u>			
Block Grants for Prevention and Treatment			
of Substance Abuse -	93.959		
Treatment, Prevention and Women's Treatment		N/A	111,888
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			2,216,544
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Passed Through The Michigan 3rd District Regional</u>			
<u>Homeland Security Planning Board:</u>			
Emergency Management Performance Grant	97.042	N/A	24,207
Homeland Security Grants	97.067	N/A	282,938
<u>Passed Through The Michigan Department of Natural Resources:</u>			
Boating Safety Financial Assistance -	97.012		
Marine Safety		N/A	14,281
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			321,426
Total Federal Awards			\$ 4,118,939

See Notes to Schedule of Expenditures of Federal Awards

LAPEER COUNTY, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the County of Lapeer and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE:

Reimbursements of these contracts are not funded 100% by the Federal Government. The expenditures reported on the Schedule of Expenditures of Federal Awards represent the federal portion of the respective reimbursements and are a percentage of total contract expenditures as summarized below:

<u>Program</u>	<u>CFDA Number</u>	<u>Percent</u>
Coop. Reimbursement	93.563	66.00
Mental Health ABW (Title XXI)	93.767	74.23
Block Grants for Prevention & Treatment of Substance Abuse - Prevention and Treatment	93.959	80.00

NOTE 3 - RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

The following schedule reconciles the intergovernmental revenues reported in the December 31, 2010 governmental funds basic financial statement to the expenditures of the County administered federal programs reported on the Schedule of Expenditures of Federal Awards.

	<u>Major Funds</u>	<u>Non-major Funds</u>	<u>Total</u>
Balance per Financial Statements – Governmental Funds – Intergovernmental revenue	\$ 4,745,579	\$ 5,103,975	\$ 9,849,554
Less: State and Local – Intergovernmental revenue	(3,792,510)	(1,938,105)	(5,730,615)
Federal Award Expenditures	<u>\$ 953,069</u>	<u>\$ 3,165,870</u>	<u>\$ 4,118,939</u>

LAPEER COUNTY, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2010

NOTE 4 - AMERICAN RECOVERY AND REINVESTMENT ACT (ARRA) AWARD EXPENDITURES:

The following is a summary of ARRA Award Expenditures as reported in the Schedule of Expenditures of Federal Awards:

CFDA #16.710	ARRA – Public Safety Partnership and Community Policing Program	\$ 99,657
CFDA #16.803	Recovery Act-Edward Byrne Memorial	136,827
CFDA #16.804	ARRA – Edward Byrne Memorial Justice Assistance Program	17,600
CFDA # 93.705	ARRA – Title III, Part C Mobile Meals	702
CFDA # 93.707	ARRA – Title III, Part C Congregate Meals	1,424
CFDA #93.712	ARRA Immunization	8,540
CFDA #93.712	ARRA Vaccine Doses	<u>38,375</u>
		<u>\$ 303,125</u>

NOTE 5 - DRINKING WATER REVOLVING FUND:

The Michigan Municipal Bond Authority provides loan proceeds through the Federal Program – Capitalization Grants for Drinking Water State Revolving Funds. As a result, the information on bond proceeds received (both federal and state portions) for projects that have outstanding loan balances at December 31, 2010 are as follows:

	Project		
	# 7042-01	# 7191-01	# 7192-01
Authorized	\$ <u>1,021,207</u>	\$ <u>694,868</u>	\$ <u>2,090,000</u>
Balance 12/31/10	\$ <u>516,507</u>	\$ <u>604,868</u>	\$ <u>1,862,694</u>
2010 Activity			
Proceeds	\$ -	\$ -	\$ -
Expenditures			
Capital Outlay	-	-	-
Debt Service			
Principal	50,000	30,000	85,000
Interest and Fiscal Charges	13,538	13,491	41,382

NOTE 6 - SUBRECIPIENTS:

The Recovery Act – Edward Byrne Memorial Grant (CFDA #16.803) in the amount of \$136,827 is passed through to other local governments.

LAPEER COUNTY, MICHIGAN

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010**

Section I – Summary of Auditor’s Results:

Financial Statements

Type of auditor’s report issued: Unqualified

Internal controls over financial reporting:

Material weakness(es) identified? x yes no

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

Noncompliance material to financial statements noted? yes x no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? x yes no

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

Type of auditor’s 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:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA #14.228	Community Development Block Grant/ Small Cities Program
CFDA #16.803	ARRA-Edward Byrne Memorial Justice Assistance Program
CFDA #93.069	Public Health Emergency Preparedness
CFDA #'s 93.268 and 93.712	Immunization Cluster
CFDA #93.563	Child Support Enforcement Title IV-D

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

Auditee qualified as low-risk auditee? yes x no

LAPEER COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2010

Section II – Financial Statement Findings:

The following findings are considered to be significant deficiencies in internal control over financial reporting that, and except for 2010-03, are also considered to be material weaknesses. The findings were also reported in the prior year.

2010-01

Program - Financial Statement Finding could have an effect of the reporting of major federal programs and other federal programs reported in the Schedule of Expenditures of Federal Awards.

Type: Material internal control weakness over financial reporting and federal programs.

Condition: Material auditor proposed adjusting entries, including entries to record the grant activity related to certain federal awards, subsequent to the year-end closing have been identified.

Criteria: Statement on Auditing Standards No. 115, "Communicating Internal Control Related Matters Identified in the Audit," specifies that if material audit adjustments are required to be proposed, the entity has a material weakness in internal control over financial reporting.

Cause: The County having limited personnel due to budget cuts has placed time restraints on the accounting office. This along with certain department's not taking responsibility for initiating journal entries has resulted in material audit adjustments being proposed.

Effect: There is more than a remote likelihood that a misstatement in the Comprehensive Annual Financial Report or Schedule of Expenditures of Federal Awards that is material would not be prevented or detected by Lapeer County's internal control.

Recommendation: Departments should be held more responsible for initiating required journal entries through preparing the entry or, at a minimum, providing the finance department with required information. This communication process should be coordinated to also provide the entry on a timelier basis throughout the year. Written closing procedures should be prepared and communicated to the various departments and components involved in the County financial reporting process to delineate the responsibilities, documentation required, and deadlines for submission.

View of responsible officials and planned corrective action: Departments have been becoming more involved with initiating required journal entries and particularly now that the drain and Treasurer's department are becoming more involved will reduce the risk of adjusting entries not being recorded.

2010-02

Program - This Financial Statement Finding did not have an effect on Federal Awards

Type: Material internal control weakness over financial reporting.

Condition: Lapeer County did not have an individual to review the Comprehensive Annual Financial Report to determine if it was presented in accordance with generally accepted accounting principles and presentation requirements of the Government Finance Association.

Criteria: Statement on Auditing Standard No. 115 "Communicating Internal Control Related Matters Identified in an Audit" specifies that if an entity does not have individuals on staff that can draft or review the financial statements to assure that they are accurate and reported in accordance with generally accepted accounting principles, then the entity has at a minimum a significant deficiency in internal control over reporting.

Cause: Lapeer County not having the time or resources has the auditor draft the basic financial statements of the CAFR along with the notes and supplementary information. The County has someone on staff to review the CAFR for financial accuracy; however, does not have someone on staff currently prepared to review the CAFR and determine that it is a complete presentation in accordance with generally accepted accounting principles.

Effect: There is more than a remote likelihood that a misstatement in the Comprehensive Annual Financial Report that is material would not be prevented or detected by Lapeer County's internal control.

Recommendation: Even though the financial statements are reviewed by Lapeer County personnel and the transmittal letter and analysis is completed by management, Lapeer County should increase responsibility for the review of the entire comprehensive annual financial report.

View of responsible officials and corrective action: It has been evaluated and determined that it is more efficient and cost effective to have the auditor draft the financial statements. However, we recognize that Lapeer County Management is responsible for the Comprehensive Annual Financial Report and will increase our involvement and review process.

2010-03

Program - This Financial Statement Finding did not have an effect on all Federal Programs

Type: Significant deficiency of internal control over financial reporting.

Condition: Checking (common) has not been reconciled to the general ledger on a timely basis.

Criteria: The State of Michigan Department of Treasury emphasizes that timely bank reconciliations are a part of good internal control and requires that auditors answer on the audit procedures report that accompanies the annual financial report to the Michigan Department of Treasury, whether bank reconciliations are completed on a timely basis. The audit procedures report form instructions provide guidance that timely bank reconciliations are those completed within six weeks from the end of a particular month.

Cause: Due to limited staff and related time restraints, bank reconciliations were performed; however, noted differences primarily relating to outstanding bank transfers were not followed up on in a timely manner.

Effect: Cash errors, intentional or otherwise, cannot be detected in a timely manner. This could result in more than a remote likelihood that an error could exist and not be prevented or detected by Lapeer County's internal control.

Recommendation: The County is aware of the condition with the cash checking reconciliations not being on time and should place priority on follow-up on differences noted each month so that timely adjustments may be recorded. We noted improvement in the number of bank reconciliations incomplete at year-end and the number and sizes of unaccounted differences. All year-end reconciliations were completed and unaccounted differences were corrected by mid-April. To continue to improve in this area we suggest the implementation of the following:

- Continue to expand interdepartmental communication with departments with significant EFT and other unusual banking transactions.
- Designate an individual different from preparer to periodically review and approve bank reconciliations.
- Follow-up on old outstanding checks and determine if escheating to the State of Michigan is required.
- Include a summary of bank reconciliations for finance committee meetings to assure that bank reconciliations are timely reconciled to General Ledger.

View of responsible officials and planned corrective actions: Management recognizes that timely bank reconciliations along with recording of corrections for the balance at 2011 have placed an emphasis on timeliness.

Section III – Federal Award Program Questioned Costs and Findings:

2010-04

Program - Federal Award Finding could have an effect on the reporting of major federal programs and other federal programs in the Schedule of Expenditures of Federal Awards.

Type: Material internal control weakness over federal programs.

Condition: The County has implemented procedures to accumulate the required information to be reported in the Schedule of Expenditures of Federal Awards. However, for the year ended December 31, 2010, several of the required information components were not available at the time of audit.

Criteria: The Schedule of Expenditures of Federal Awards is considered an element of external financial reporting under SAS 115 requirements and also is used by granting and/or flow through grantors to monitor federal awards. As a result correct reporting is an important requirement of federal award administration.

Cause: The County, having limited personnel due to budget cuts, has placed time restraints on the accounting office to be able to monitor the various departments receiving federal funds.

Effect: There is more than a remote likelihood that a federal award could be reported incorrectly and possibly even omitted from the Schedule of Expenditures of Federal Awards.

Recommendation: Departments should become more responsible for documenting grant activity for the year to be reported on the SEFA. We recommend that each department provide the information required for the SEFA (Federal Agency, pass through entity, federal program name and CFDA number, state name for program and pass through number, grant award and actual grant expenditures) in a summary form for the entire year.

View of responsible officials and planned corrective action: As an extension of our current monitoring, the County accounting office will provide all departments with a form presenting the required information to be provided for the year. The accounting department will request supporting documentation for grant monies and identification numbers, along with general ledger revenue and expenditure account numbers.

2010-05

Program - ARRA Edward Byrne Memorial JAG - CFDA #16.803

Type: Material internal control weakness over the major program and noncompliance with subrecipient monitoring.

Condition: The County does not have in place a monitoring process to evaluate whether the subrecipient for this program was administering the grant in accordance with laws, regulations, and provisions of the grant agreement.

Criteria: OMB Circular A-133 requires pass-through grantors to have a system in place to ensure federal funds passed through to subrecipients are administered in accordance with laws, regulations, and provisions of the grant agreement.

Cause: The County has not established a subrecipient monitoring process.

Effect: The lack of a monitoring process does not allow the County to evaluate whether the subrecipient is in compliance with laws, regulations, and provisions of the grant agreement, monitoring adequate internal control to administer the grant, or having single audits completed.

Questioned Costs: None.

Recommendation: We recommend that the County establish a formal system to monitor subrecipients. This process should begin with determining whether subrecipients are subject to a single audit. If subject to single audit, the audits need to be requested from subrecipients, reviewed for internal control or compliance exceptions, and evaluated for further actions. Also, the County must devise and implement other methods to obtain needed information to fulfill their monitoring responsibilities.

View of responsible officials and corrective action: The County will implement a process to determine whether subrecipients are subject to the single audit. If subject to single audit, the County Finance Department will request the audits from subrecipients and review the auditor's reports and schedule of findings and questioned costs for internal control and compliance matters relevant to our pass-through grants. We will also establish other methods to fulfill our monitoring responsibilities.

To: Federal Grantors and Flow-Through Agencies

From: John Biscoe, Administrator/Controller

Response: Single Audit Findings for 2010 Follow-up

Date: June 23, 2011

The following responses are similar to those provided for the 2007-2009 findings since they were not fully implemented in 2010. However, our intent is to implement in 2011 those which we believe are cost effective to the County.

09-01

The recording of material journal entries prior to year-end closing and the preparation of the Comprehensive Annual Financial Report.

We are coordinating with our department heads to better communicate required journal entries in a timelier manner throughout the year. This directly coincided with more timely reconciliation and correction of accounts in each department. In 2010 we worked on improving in this area and now are being provided more support, particularly by two key departments to reduce material journal entries at year-end. We believe there was a reduction in required journal entries at the December 31, 2010 year-end. We anticipate this comment being eliminated in 2011.

09-02

Review of Comprehensive Annual Financial Report.

We have always reviewed the financial information; however, as a result of Statement of Auditing Standards No. 115, will expand our review to GAAP presentation. Due to limited staff and current knowledge of GAAP, we do not foresee this comment being omitted for 2011. However, we do anticipate increased controls over reporting based on an increased effort of the review policies and improvement in the recording of year-end adjusting entries.

09-03

Accurate and Complete Reporting of Information in the Schedule of Expenditures of Federal Awards.

Due to time restraints we did not accomplish improvement in the accumulation of documentation required for the Schedule of Expenditures of Federal Awards. Our intent is to provide a form presenting the required information to be provided for the year. An increase in communication will be made to help assure the information and supporting documentation is correct.

09-04

Bank Reconciliations for Common Checking Account

Reconciliations were performed in 2010 for the various checking accounts; however, due to limited personnel and time restraints, the timeliness of the reconciliation of the common bank for December was not within the required timeframe required by the State of Michigan. We improved on 2008 and 2009 and in 2010 with assistance from the Treasurer's department we intend to have timely reconciliation of the common checking accounts for 2011.