

LAPEER COUNTY, MICHIGAN

**SUPPLEMENTARY INFORMATION TO
BASIC FINANCIAL STATEMENTS**

(FEDERAL AWARDS)

FOR THE YEAR ENDED DECEMBER 31, 2011

**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, business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lapeer County, Michigan (the "County"), as of and for the year ended December 31, 2011, and have issued our report thereon dated June 22, 2012, which contained an unqualified opinion on those financial statements. Our audit was conducted for the purpose of forming our opinions on the financial statements that collectively comprise the County's financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Stewart Beauvais & Whipple, P.C.
Certified Public Accountants

June 22, 2012

LAPEER COUNTY, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2011

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 FY11	\$ 283,943
			<u>283,943</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>283,943</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
<u>Passed Through Michigan Jobs Commission:</u>			
Community Development Block Grant/ Small Cities Program - Economic Development Grant Housing Rehabilitation	14.228	MSC 209067-EDIG MSC 2009-0751-HOA	94,314 5,997
			<u>100,311</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>100,311</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>			
JAG Program Cluster -			
<u>Direct Programs:</u>			
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program - Grants to Local Governments	16.804	2009-SB-B9-2914	13,279
<u>Passed Through The Michigan State Community Health Office of Drug Control Policy:</u>			
Edward Byrne Memorial Justice Assistance Program - TNU	16.738	MSP 70898-2-11-B	80,486
ARRA - Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program - Grants to States and Territories	16.803	20093998	159,707
Total Passed Through the Michigan State Community Health Office of Drug Control Policy			<u>240,193</u>
Total JAG Program Cluster			<u>253,472</u>
<u>Passed Through the Michigan Department of Human Services:</u>			
State Criminal Alien Assistance Program- Jail Feeding Prisoners	16.606	N/A	3,050
Bulletproof Vest Partnership Program	16.607	N/A	2,158
Total Passed Through The Michigan Department of Human Services			<u>5,208</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>258,680</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>			
<u>Passed Through the Michigan Department of Natural Resources:</u>			
Recreational Trails Program	20.219	NRT/RTP2011-19-01	2,998
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>2,998</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, 2011

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	\$ 450
Operators Certification	66.471	N/A	1,849
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>2,299</u>
<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	154,816
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>154,816</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Passed Through - Valley Area Agency on Aging</u>			
Special Programs for the Aging - Disease Prevention and Health Promotion Services -	93.043		
Title III - Part B - Health Screening		N/A	881
Title III - Part D - Health Screening		N/A	4,915
			<u>5,796</u>
Special Programs for the Aging Cluster -			
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers -	93.044		
Case Coordination		N/A	6,177
Senior Center Staffing		N/A	5,000
In Home Services		N/A	21,641
			<u>32,818</u>
Special Programs for the Aging - Title III, Part C -	93.045		
Nutrition Services -		N/A	48,614
Congregate Meals		N/A	76,475
Mobile Meals			<u>125,089</u>
Special Programs for the Aging - Title III, Part C -			
Nutrition Services Incentive Program -			
Congregate Meals	93.053	N/A	5,986
Mobile Meals		N/A	58,805
			<u>64,791</u>
Total for Special Program for Aging Cluster			<u>222,698</u>
Total Passed Through Valley Area Agency on Aging			<u>228,494</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, 2011

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 - Lift Program	93.558	N/A	\$ 10,000
Child Support Enforcement - Title IV-D	93.563		
Friend of the Court - Cooperative Reimbursement		CSFOC10/11-44001	574,618
Prosecuting Attorney - Cooperative Reimbursement		CSPA10/11-44002	85,374
Medical Incentive Payments		NA	144,503
			<u>804,495</u>
Access and Visitation	93.597	N/A	9,970
Total Passed Through The Michigan Department of Human Services			<u>824,465</u>
<u>Passed Through Lapeer County Intermediate School District</u>			
Temporary Assistance to Needy Families - Michigan Works	93.558	N/A	20,085
<u>Passed Through Michigan Department of Community Health:</u>			
Temporary Assistance to Needy Families- Wraparound Services	93.558	WRAP-10-44001	3,518
Immunization Cluster -			
Childhood Immunization Grants -	93.268		
Immunization IAP		CPBC FY11	39,860
VFC Provider Site Visits		CPBC FY11	2,950
Vaccine Doses		N/A	245,866
VFC Nurse Education		CPBC FY11	1,950
			<u>290,626</u>
ARRA - Childhood Immunization Grants -	93.712		
ARRA - Immunization		CPBC FY11	9,589
ARRA - Vaccine Doses		N/A	827
			<u>10,416</u>
Total Immunization Cluster			<u>301,042</u>
ARRA - Prevention and Wellness - Local Tobacco	93.723	CPBC FY 11	27,350
Public Health Emergency Preparedness - Bioterrorism Grant	93.069	CPBC FY11	247,316
State Children Insurance Program -	93.767		
Adult Benefit Waiver		N/A	11,020
MI - Child		N/A	40,113
			<u>51,133</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, 2011**

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		CPBC FY11	\$ 16,664
Screening and Annual Project Review		CPBC FY11	12,587
CSHCS - Medicaid Outreach		CPBC FY11	1,699
CSHCS - Care Coordination		CPBC FY11	5,922
CSHCS - Outreach & Advocacy		CPBC FY11	12,056
			<u>48,928</u>
Block Grants for Community Mental Health Services - Expansion of CPSS	93.958	11B1MIMCHS	<u>42,407</u>
Maternal and Child Health Services			
Block Grant -	93.994		
Maternal Infant Health Program - Local MCH		CPBC FY 11	36,921
CSHCS - Care Coordination		CPBC FY 11	2,351
CSHCS - Outreach and Advocacy		CPBC FY 11	11,059
			<u>50,331</u>
Total Passed Through Michigan Department of Community Health			<u>772,025</u>
<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	<u>80,840</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,925,909</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>			
<u>Passed Through The Michigan 3rd District Regional Homeland Security Planning Board:</u>			
Emergency Management Performance Grant	97.042	N/A	29,451
<u>Passed Through Bay County:</u>			
Homeland Security Grants	97.067	N/A	123,767
<u>Passed Through The Michigan Department of Natural Resources:</u>			
Boating Safety Financial Assistance - Marine Safety	97.012	N/A	<u>9,325</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>162,543</u>
Total Federal Awards			<u>\$ 2,891,499</u>

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, 2011

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Lapeer County (the "County") for the year ended December 31, 2011. Expenditures reported on the Schedule are reported on the same basis of accounting, the modified accrual basis, as the financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. In addition, expenditures reported on the Schedule 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. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The County's basic financial statements include the Lapeer County Road Commission and Lapeer County Land Bank Authority as discretely presented component units. These entities are audited separately and, if necessary, an audit in accordance with OMB Circular A-133 is issued. As a result, the federal expenditures of these entities are not included in the Schedule of Expenditures of Federal Awards.

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 or changes in net assets of the County.

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 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
Medical Assistance Program Title XIX -		
CSHCS - Medicaid Outreach	93.778	50.00
CSHCS - Care Coordination	93.778	50.00
CSHCS - Outreach and Advisory	93.778	50.00
Block Grants for Prevention & Treatment of		
Substance Abuse -		
Treatment, Prevention and Women's Treatment	93.959	80.00
Maternal and Child Services Block Grant -		
CSHCS - Care Coordination	93.994	35.00

LAPEER COUNTY, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2011

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

The following schedule reconciles the intergovernmental revenues reported in the December 31, 2011 governmental funds basic financial statement to the expenditures of the County administered federal programs reported on the Schedule.

	<u>Major Funds</u>	<u>Non-major Funds</u>	<u>Total</u>
Balance per Financial Statements – Governmental Funds – Intergovernmental revenue	\$ 4,710,067	\$ 4,140,643	\$ 8,850,710
Less: State and Local – Intergovernmental revenue	(4,427,117)	(1,532,094)	(5,959,211)
Federal Award Expenditures	<u>\$ 282,950</u>	<u>\$ 2,608,549</u>	<u>\$ 2,891,499</u>

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

The following is a summary of ARRA Award Expenditures as reported on the Schedule:

CFDA #16.803	ARRA – Edward Byrne Memorial Justice Assistance Program - Grants to States and Territories	\$ 159,707
CFDA #16.804	ARRA – Edward Byrne Memorial Justice Assistance Program - Grants to Local Governments	13,279
CFDA #93.712	ARRA Immunization	9,589
CFDA #93.712	ARRA Vaccine Doses	827
CFDA #93.723	ARRA - Prevention and Wellness - Local Tobacco	<u>27,350</u>
		<u>\$ 210,752</u>

LAPEER COUNTY, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2011

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, 2011 are as follows:

	Project		
	# 7042-01	# 7191-01	# 7192-01
Authorized	\$ 1,021,207	\$ 694,868	\$ 2,090,000
Balance 12/31/11	\$ 466,507	\$ 574,868	\$ 1,777,694
2011 Activity			
Proceeds	\$ -	\$ -	\$ -
Expenditures			
Capital Outlay	-	-	-
Debt Service			
Principal	50,000	30,000	85,000
Interest and Fiscal Charges	12,288	12,853	39,582

NOTE 6 - SUBRECIPIENTS:

The ARRA – Edward Byrne Memorial Justice Assistance Program - Grants to States and Territories (CFDA #16.803) in the amount of \$131,473 and the Edward Byrne Memorial Justice Assistance Program – TNU (CFDA #16.738) in the amount of \$62,798 was passed through to other local governments.



**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 (the "County"), as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements of the County and have issued our report thereon, dated June 22, 2012. Our report includes a reference to other auditors. 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. Also, we audited the financial statements of the Lapeer County Road Commission and Lapeer County Mental Health Authority, and issued separate auditor's reports. This report does not include the results of the testing of internal control over financial reporting or on compliance and other matters of the Lapeer County Road Commission and Lapeer County Mental Health Authority. Other auditors audited the financial statements of the Lapeer County Land Bank Authority as described in our report on the County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting or compliance and other matters that are reported on separately by those other auditors.

Internal Control Over Financing Reporting

Management of Lapeer County, Michigan is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over financial reporting.

Our consideration of internal control over financial reporting 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 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 other deficiencies that we consider to be significant deficiencies.

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 2011-01 and 2011-02.

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 described as item 2011-03 to be a significant deficiency.

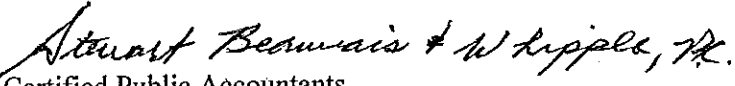
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 the management and those in charge of governance of the County in a separate letter dated June 22, 2012.

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

This report is intended solely for the information and use of the management and the Board of Commissioners, others within the entity and 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 22, 2012



**INDEPENDENT AUDITOR'S 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**

To the Board of Commissioners
of Lapeer County
Lapeer, Michigan

Compliance

We have audited the compliance of Lapeer County, Michigan (the "County") with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on the County's major federal programs for the year ended December 31, 2011. The County'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's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

The County's basic financial statements include the Lapeer County Land Bank Authority, a component unit of the County. Our audit described below did not include operations for the Lapeer County Land Bank Authority because the component unit engaged other auditors to perform their financial audit and audit in accordance with OMB Circular A-133, if applicable.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County's compliance with those requirements.

In our opinion, the County 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, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2011-04 and 2011-05.

Internal Control Over Compliance

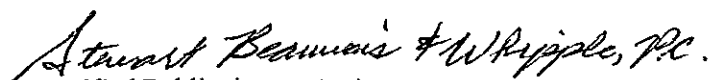
The management of the County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with 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 the County'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 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 2011-04 and 2011-05 to be material weaknesses.

The County'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's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the management and the Board of Commissioners, others within the entity and 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 22, 2012

LAPEER COUNTY, MICHIGAN

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011**

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?

☒ yes ☐ no

Significant deficiency(ies) identified not
considered to be material weaknesses?

☒ yes ☐ none reported

Noncompliance material to financial
statements noted?

☐ yes ☒ no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

☒ yes ☐ no

Significant deficiency(ies) identified not
considered to be material weaknesses?

☐ yes ☒ 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)?

☒ yes ☐ no

Identification of Major Programs:

CFDA Number(s)

Name of Federal Program or Cluster

CFDA #10.557

Special Supplemental Food Program for
Women, Infants and Children - WIC

CFDA #16.738/803/804

JAG Cluster

CFDA #'s 93.268/712

Immunization Cluster

CFDA #93.563

Child Support Enforcement

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

\$300,000

Auditee qualified as low-risk auditee?

☐ yes ☒ no

LAPEER COUNTY, MICHIGAN
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2011

Section II – Financial Statement Findings:

The following findings are considered to be significant deficiencies in internal control over financial reporting that, and except for 2011-03, are also considered to be material weaknesses. The findings were also reported in the prior year.

2011-01

Program - Financial Statement Finding that could have an effect on 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 reporting of 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: In preparing adjusting entries, the Finance Department and County Management actively pursues the information to make timely and accurate entries. However, some information is not provided and available (component units and sub-recipients) until after the audit has commenced. Hence, some entries will always be adjusting entries. The County will continue working with these entities to implement procedures to better monitor these activities.

2011-02

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 Officers 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.

2011-03

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

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 following-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-May. 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: The County believes that the auditors have based their evaluation with State guidelines on final adjusted balances. County Management has had discussions with the auditors concerning this matter. In the future the auditors will use preliminary balances for this compliance evaluation. Both Management and the auditors believe this will resolve any issues.

Section III – Federal Award Program Questioned Costs and Findings:

2011-04

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.

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.

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, 2011, several of the required information components were not available at the time of audit.

Questioned Costs: None.

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.

2011-05

Program - ARRA Edward Byrne Memorial JAG - CFDA #16.803
U.S. Department of Justice Passed Through the Michigan State Community Health Office of Drug Control Policy

Pass-through grantors number – 20093998

Program - Edward Byrne Memorial Justice Assistance Program TNU - CFDA #16.738
U.S. Department of Justice Passed Through the Michigan State Community Health Office of Drug Control Policy

Pass-through grantor's number - MSP #70898-2-11-B

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

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.

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.

Questioned Costs: None.

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.

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 a 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.

LAPEER COUNTY, MICHIGAN
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2011

The following responses were provided by John Biscoe, Administrator/Controller of Lapeer County for the findings reported in the 2010 single audit since they were not fully implemented in 2011.

10-01

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

In preparing adjusting entries, the Finance Department and County Management actively pursues the information to make timely and accurate entries. However, some information is not provided and available (component units and sub-recipients) until after the audit has commenced. Hence, some entries will always be adjusting entries. The County will continue working with these entities to implement procedures to better monitor these activities.

10-02

Review of Comprehensive Annual Financial Report.

We have always reviewed the financial information; however, as a result of Statement of Auditing Standards No. 115, we 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 2012. 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.

10-03

Bank Reconciliations for Common Checking Account.

The County believes that the auditors have based their evaluation with State guidelines on final adjusted balances. County Management has had discussions with the auditors concerning this matter. In the future the auditors will use preliminary balances for this compliance evaluation. Both Management and the auditors believe this will resolve issues.

10-04

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. The implementation of this form is expected to occur in 2012.

Subrecipient Monitoring Process

During 2012 the County Finance Department implemented procedures to determine whether subrecipients are subject to the single audit. The single audits of subrecipients will be reviewed and follow-up will be made on any noncompliance or internal control matters related to any pass-through grants. For subrecipients not subject to the single audit, other methods will be implemented to fulfill our monitoring responsibilities. These procedures will include requesting from subrecipients written procedures over significant compliance requirements and documentation to support grant costs charged to pass-through grants.