

LAPEER COUNTY, MICHIGAN

**SUPPLEMENTARY INFORMATION TO
FINANCIAL STATEMENTS**

(FEDERAL AWARDS)

FOR THE YEAR ENDED DECEMBER 31, 2020

LAPEER COUNTY, MICHIGAN

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditor's Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	1
Supplementary Information:	
Schedule Required by the Uniform Guidance - Schedule of Expenditures of Federal Awards	2
Notes to Schedule of Expenditures of Federal Awards	7
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	8
Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	10
Schedule of Findings and Questioned Costs	12
Summary Schedule of Prior Audit Findings	16
Corrective Action Plan (Unaudited)	18

**INDEPENDENT AUDITOR'S REPORT
ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
REQUIRED BY THE UNIFORM GUIDANCE**

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, 2020 and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated July 27, 2021 which contained unmodified opinions on those financial statements. The report includes a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

UHY LLP

Port Huron, Michigan

**LAPEER COUNTY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Expenditures	Expenditures Passed to Subrecipients
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>				
<u>Passed Through the Michigan Department of Health and Human Services:</u>				
Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) -	10.557			
Resident Services		202MI003W1003	\$ 333,075	\$ - *
Breastfeeding		185MI013W5003	11,804	- *
Breastfeeding		192MI003W5003	9,445	- *
Breastfeeding		202MI003W1003	7,082	- *
			<u>361,406</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE				
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
<u>Passed Through the Michigan Strategic Fund:</u>				
Community Development Block Grant - State's Program and Non-Entitlement Grants in Hawaii -	14.228			
COVID-19 - CVI CARES Funding		MSC 220005-CV1	208,739	-
			<u>208,739</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
<u>Direct Programs:</u>				
Bulletproof Vest Partnership Program	16.607	N/A	4,817	-
<u>Passed Through the Michigan Department of State Police:</u>				
Coronavirus Emergency Supplemental Funding-	16.034			
COVID-19 Sheriff's		2020-VD-BX-0434	46,250	-
COVID-19 Courts		2020-VD-BX-0434	22,943	-
COVID-19 Prosecuting Attorney		2020-VD-BX-0434	7,880	-
			<u>77,073</u>	<u>-</u>
Edward Byrne Memorial Justice Assistance Prog.	16.738	2018-MU-BX-0886	34,890	9,593
			<u>116,780</u>	<u>9,593</u>
TOTAL U.S. DEPARTMENT OF JUSTICE				

See Notes to Schedule of Expenditures of Federal Awards

Continued

**LAPEER COUNTY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Expenditures	Expenditures Passed to Subrecipients
<u>U.S. DEPARTMENT OF TREASURY:</u>				
<u>Passed Through the Michigan Department of Treasury:</u>				
Coronavirus Relief Fund-	21.019			
COVID-19 - Coronavirus Relief Fund Local Government Grants (CRLGG)		44-0000-CRLGG	\$ 635,889	\$ -
COVID-19 - Public Safety and Public Health Payroll Reimbursement Program (PSPHPRP)		44-0000-PSPHPR	942,823	-
COVID-19 - First Responder Hazard Pay Premiums (FRHPPP)		44-0000-FRHPPP	91,000	-
<u>Passed Through Michigan Department of Health and Human Services:</u>				
COVID-19 Local Health Department Contact Tracing	21.019	SLT0040	79,800	- *
TOTAL U.S. DEPARTMENT OF TREASURY			1,749,512	-
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY:</u>				
<u>Passed Through The Michigan Department of Environment, Great Lakes, and Energy:</u>				
Drinking Water State Revolving Fund Cluster - Capitalization Grants for Drinking Water State Revolving Funds -	66.468			
Standard/Operator Assistance		FS975487-18	974	- *
Capacity Development		FS975487-18	1,050	- *
Revised Total Coliform Rule		FS975487-18	5,141	- *
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			7,165	-
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>				
Direct Program:				
COVID-19 - Provider Relief Funds	93.498	N/A	8,679	- *
<u>Passed Through the Valley Area Agency on Aging:</u>				
Aging Cluster -				
Special Programs for the Aging-Title III, Part B - Grants for Supp. Services and Senior Centers -	93.044			
Care Management		N/A	46,970	- *
Respite		N/A	567	- *
Homemaker, P/C		N/A	8,577	- *
			56,114	-

See Notes to Schedule of Expenditures of Federal Awards

Continued

**LAPEER COUNTY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Expenditures	Expenditures Passed To Subrecipients
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (cont'd):</u>				
<u>Passed Through the Valley Area Agency on Aging:</u>				
Aging Cluster (cont'd) -				
Special Programs for the Aging-Title III, Part C -				
Nutrition Services -				
	93.045			
Congregate Meals		N/A	\$ 48,001	\$ - *
COVID-19 - CARES ACT - Nutrition		N/A	22,194	- *
Home Delivered Meals		N/A	121,691	- *
			<u>191,886</u>	<u>-</u>
Nutrition Services Incentive Program -				
	93.053			
Congregate Meals		N/A	10,444	- *
Home Delivered Meals		N/A	61,898	- *
			<u>72,342</u>	<u>-</u>
Total Aging Cluster			<u>320,342</u>	<u>-</u>
Title III - Part E - Respite Care				
	93.052			
National Family Caregiver Support		N/A	1,545	- *
<u>Passed through the Michigan Supreme Court State Court Administrative Office:</u>				
Grants to States for Access and Visitation Programs				
	93.597	N/A	2,000	-
<u>Passed through the Michigan Department of Health and Human Services:</u>				
Child Support Enforcement -				
	93.563			
Friend of the Court - Cooperative Reimbursement		CSFOC17-44001	790,638	-
Prosecuting Attorney - Cooperative Reimbursement		CSPA17-44002	82,386	-
Federal Incentive Payments		N/A	144,869	-
			<u>1,017,893</u>	<u>-</u>
Immunization Cooperative Agreements -				
	93.268			
Immunization Action Plan (IAP)		NH23IP922635	40,457	- *
Immunization Action Plan (IAP) - Pilot		NH23IP922635	36,781	- *
Immunization Fixed Fees		NH23IP922635	2,450	- *
Vaccine Doses		N/A	98,348	- *
			<u>178,036</u>	<u>-</u>

See Notes to Schedule of Expenditures of Federal Awards

Continued

**LAPEER COUNTY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Expenditures	Expenditures Passed To Subrecipients
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (cont'd):</u>				
<u>Passed through the Michigan Department of Health and Human Services (cont'd):</u>				
Public Health Emergency Preparedness -	93.069			
Bioterrorism		U3REP190584	\$ 90,130	\$ - *
Bioterrorism		NU90TP922062	27,962	- *
Bioterrorism - Cities Readiness Initiative		U3REP190584	11,455	- *
Bioterrorism - Cities Readiness Initiative		NU90TP922062	4,777	- *
			<u>134,324</u>	<u>-</u>
Medicaid Cluster -				-
Medical Assistance Program -	93.778			
Medicaid Outreach		2005MI5ADM	2,054	- *
CSHCS CC - Care Coordination Services:				
Title V/XIX		2005M15MAP	9,600	- *
CSHCS CC - Care Coordination:				
Title V/XIX Clients		2005MI5ADM	330	- *
CSHCS - Medicaid Outreach		2005MI5ADM	3,763	- *
CSHCS - Outreach & Advocacy		2005MI5ADM	20,660	- *
Total Medicaid Cluster			<u>36,407</u>	<u>-</u>
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) -	93.323			
COVID-19 - ELC Contact Tracing Testing Coordination		SLT0040	79,237	- *
Maternal and Child Health Services Block Grant -	93.994			
Enabling Services - Children		B04MC33846	36,921	- *
CSHCS CC - Case Management Services Title V		B04MC33846	570	- *
CSHCS CC - Care Coordination: Title V Clients		B04MC33846	7,850	- *
			<u>45,341</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,823,804</u>	<u>-</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
<u>Passed Through The Michigan Department of State Police:</u>				
Emergency Management Performance Grants - Grant Program Year 2019	97.042			
		EMC-2020-EP-00005	26,815	-

See Notes to Schedule of Expenditures of Federal Awards

Continued

LAPEER COUNTY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2020

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Expenditures	Expenditures Passed To Subrecipients
<u>U.S. DEPARTMENT OF HOMELAND SECURITY (cont'd):</u>				
<u>Passed through Iosco County:</u>				
Homeland Security Grant Program -	97.067			
Grant Program Year 2017		EMW-2017-SS-00013	\$ 3,540	\$ -
Grant Program Year 2018		EMW-2018-SS-00042	7,980	-
Grant Program Year 2019		EMW-2019-SS-00021	21,439	-
			<u>32,959</u>	<u>-</u>
<u>Passed Through The Michigan Department of Natural Resources:</u>				
Boating Safety Financial Assistance -	97.012			
Marine Safety		N/A	9,100	-
			<u>9,100</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>68,874</u>	<u>-</u>
Total Federal Awards			<u>\$ 4,336,280</u>	<u>\$ 9,593</u>

Concluded

LAPEER COUNTY, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2020

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, 2020. 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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), 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 passes a certain amount of these federal awards to other local governments and agencies (subrecipients) who provide the actual program services. These awards passed through to subrecipients are recognized as expenditures by the County in the period the program services are provided.

The County has elected not to use the 10% de Minimis cost rate allowed under the Uniform Guidance.

The County's reporting entity is described in Note 1 to the County's basic financial statements. The County's financial statements include the operations of the Lapeer County Road Commission and the Lapeer County Land Bank Authority presented as discretely presented component units and Lapeer County Community Mental Health and the Medical Care Facility presented as major funds, which received federal awards that are not included in the Schedule for the year ended December 31, 2020, as these entities were audited separately, and if necessary, audits in accordance with the Uniform Guidance are issued. For 2020, audits in accordance with the Uniform Guidance were not required for the component units and major funds identified above.

Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the net position, changes in net position, or cash flows of the County.

NOTE 2 - FISCAL REPORTING:

Certain County departments and their grants are reported on a September 30 year-end basis; these are denoted on the Schedule with an asterisk (*).

NOTE 3 - NONCASH ASSISTANCE:

The value of Vaccine Doses, part of the Immunization Cooperative Agreements (CFDA #93.268), has been valued on the Schedule based on the assessed value provided by the Michigan Department of Health and Human Services (pass-through grantor).

INDEPENDENT AUDITOR’S 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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lapeer County, Michigan (the “County”) as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements, and have issued our report thereon dated July 27, 2021. Our report includes the Lapeer County Road Commission and the Lapeer County Land Bank Authority reported as discretely presented component units, and Lapeer County Community Mental Health and the Lapeer County Medical Care Facility reported as major funds, which were audited separately. This report does not include the results of internal control over financial reporting and on compliance and other matters for these component units and major funds.

Internal Control over Financing Reporting

In planning and performing our audit of the financial statements, we considered the County’s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County’s internal control. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control.

Our consideration of internal control was for the limited purpose described in the preceding 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 have not been identified. However, as described in the accompanying schedule of findings, we did identify certain deficiencies in internal control that we consider to be material weaknesses and 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 as items 2020-001, 2020-002, and 2020-004 to be material weaknesses.

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 as item 2020-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management in a separate letter dated July 27, 2021.

Lapeer County, Michigan's Response to Findings

The County's responses to the findings identified in our audit are described in the accompanying schedule of findings. The County's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lapeer County, Michigan's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The logo for UHY LLP, featuring the letters 'UHY' in a large, stylized, handwritten font, with 'LLP' in a smaller, simpler font to the right.

Port Huron, Michigan
July 27, 2021

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR THE
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Commissioners of Lapeer County
Lapeer, Michigan

Report on Compliance for the Major Federal Program

We have audited Lapeer County, Michigan's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2020. The County's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Lapeer County Land Bank Authority and the Lapeer County Road Commission as discretely presented component units and the Lapeer County Community Mental Health Fund and the Medical Care Facility Fund as major funds. These entities were audited under *Government Auditing Standards* separately, and an audit in accordance with the Uniform Guidance was not required.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for the County's major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on the Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2020.

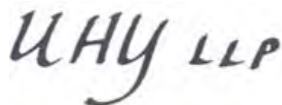
Report on Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

The image shows a handwritten signature in dark ink that reads "UHY LLP". The letters are stylized and cursive.

Port Huron, Michigan
March 11, 2022

LAPEER COUNTY, MICHIGAN

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Section I – Summary of Auditor’s Results:

Financial Statements

Type of auditor’s report issued: Unmodified

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? yes x 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: Unmodified

Any audit findings disclosed that are required to
be reported in accordance with 2 CFR section
200.516 (a) of the Uniform Guidance? yes x no

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
CFDA #21.019	Coronavirus Relief Fund
Dollar threshold used to distinguish between Type A and Type B programs:	<u>\$750,000</u>
Auditee qualified as low-risk auditee?	<u> </u> yes <u> x </u> no

LAPEER COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2020

Section II – Financial Statement Findings:

2020-001: Material Adjusting Entries (Repeat finding 2019-001)

Type: Material weakness in internal controls over financial reporting.

Criteria: Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles. 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.

Condition: During our audit, we identified and proposed certain material adjustments (which were reviewed and approved by management) to adjust the County’s general ledger to the appropriate balances.

Cause: The County’s internal controls did not detect all misstatements necessary to properly report year-end balances.

Effect: As a result of this condition, the following significant entries were proposed.

Primary Government:

- To correct the misclassification of revenues and record deferred inflows of resources for unavailable revenues in the Health Department Fund

Drain Funds (Component Unit):

- To reclassify use of bond proceeds between the Capital Projects, Revolving Drain, and Special Assessment Drain Funds

Recommendation: Management has already taken appropriate corrective action by reviewing and approving the proposed audit adjustments. In addition to eliminate/reduce future material audit adjustments, the County Finance Department should evaluate the process in current use to review the work generated from the year-end closing process prior to formally closing the “books” for the annual financial statement audit.

View of responsible officials and planned corrective action: Management agrees with the finding. See corrective action plan.

2020-002: Bank Reconciliations Should Be Completed Timely (Repeat finding 2019-002, as revised)

Type: Material weakness in internal controls over financial reporting.

Criteria: A required element of internal control over cash is to require a monthly bank reconciliation to be performed on all cash accounts within an entity to determine that the ending bank balance is reconciled to the general ledger balance on a timely basis and all reconciling items are properly accounted for and recorded.

LAPEER COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2020

Condition: The County did not prepare a timely bank reconciliation for the month of December 2020. The reconciled December 2020 bank reconciliation was not received until June 2020.

Context: Monthly bank reconciliations for each month during 2020 appear to have been attempted on a timely basis throughout the year. However, completion of the process continues to exceed the State guideline of six weeks subsequent to month-end.

Cause: The integration of the County's receipting software with the general ledger continues to create monthly and year-end cut-off problems of cash receipts for certain departments and types of transactions. The bank reconciliations have been substantially completed each month according to management, except for this problem.

Effect: Timely bank reconciliation preparation and review did not occur to ensure cash balances were properly stated and reconciled to the general ledger.

Recommendation: We recommend that the internal control in this area require all bank accounts to be reconciled monthly on a timely basis. A bank reconciliation procedure should be adopted and should include the review and approval of the monthly bank reconciliations by someone independent of the preparer.

View of responsible officials and planned corrective action: Management agrees with the finding. See corrective action plan.

2020-003: Preparation of the Financial Statements in Accordance with Generally Accepted Accounting Principles (Repeat finding 2019-003)

Type: Significant deficiency in internal controls over financial reporting.

Criteria: Accounting standards specify that management must design, implement and maintain control-related policies and procedures to assure that financial data is properly assembled, analyzed, classified, recorded, and reported. This includes the preparation of the Comprehensive Annual Financial Report (CAFR) prepared in accordance with generally accepted accounting principles and the presentation requirements of the Government Finance Officers Association and the Schedule of Expenditures of Federal Awards (SEFA).

Condition: The County has historically relied on its independent external auditors for their expertise and technical skills to prepare and present the CAFR in accordance with generally accepted accounting principles, including the footnotes and the government-wide presentation required by GASB Statement No. 34, as part of the annual audit process. In regards to the SEFA, the listing prepared by management was incomplete, most notably regarding Health Department grants, and inaccurate regarding some pass-thru grantor numbers.

Cause: The County has made the decision that it is more cost effective/efficient to outsource the preparation of its CAFR to the external auditors than to incur the time and expense of obtaining the necessary training and expertise required to prepare the report in accordance with generally accepted accounting principles.

Effect: There is the possibility that a misstatement of the County's CAFR and SEFA that is more than inconsequential could occur and not be prevented or detected by the County's current internal control process.

LAPEER COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2020

Recommendation: With the implementation of any internal control procedure both the efficiency and cost must be evaluated with the risk. We recommend that the County continue to evaluate the risk and cost of not performing this internal control function in-house.

View of responsible officials and planned corrective action: Management agrees with the finding. See corrective action plan.

2020-004: Liabilities Maintained in Custodial Accounts Should Be Reconciled to Subsidiary Records (Repeat finding 2019-004, as revised)

Type: Material weakness in internal controls over financial reporting.

Criteria: The County is required to keep accurate subsidiary records of the amounts held in custodial liability accounts under their fiduciary responsibility. These accounts should be analyzed and reconciled on a regular basis (e.g., monthly or quarterly).

Condition: A custodial liability account did not agree to the subsidiary records and hasn't been reconciled to the general ledger for several years (Clerk's restitution).

Cause: The County's procedures for the reconciling/monitoring of the custodial account to ensure the accuracy of subsidiary records is not being consistently followed.

Effect: As a result of the condition, the County is exposed to an increased risk that misstatements, whether through error or fraud, may occur and not be prevented, or detected and corrected, on a timely basis. Balances in custodial funds are particularly sensitive as this fund type, by its nature, are held on behalf of other entities or individuals and are not subject to the normal budgetary oversight found in other funds. Accordingly, it is especially important that these funds be reconciled regularly to a complete detailed subsidiary record. While the related cash balances were reconciled, this only verifies the amounts actually on hand, not the balances that should be on hand or who they are held on behalf of.

Recommendation: A monitoring process was established through the County Finance Department to identify issues and provide additional training, but additional technical assistance appears necessary to resolve the reconciliation issues identified.

View of responsible officials and corrective action: Management agrees with the finding. See corrective action plan.

Section III – Federal Award Program Findings and Questioned Costs:

There were no federal award findings or questioned costs.

LAPEER COUNTY, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2020

The responses below for findings identified in the 2019 single audit, identified as 2019-001 through 2019-005, were provided by Jackie Arnold, Chief Financial Officer of Lapeer County.

Finding 2019-001:

2019-001: Material adjusting entries were proposed to correct the County's general ledger to properly reflect the appropriate balances in accordance with GAAP.

Status of finding: The County has not cleared this finding, which has been repeated in the current year as finding 2020-001.

Reason for reoccurrence: This finding has been received for several years. The County Finance Department under the direction of Jackie Arnold, Chief Financial Officer, continues to strive to record all adjustments required to present our financial statements in accordance with generally accepted accounting principles (GAAP). The County Finance Department is staffed with only two full-time accountants and must rely on the communication of the various department heads and elected officials to assist with the year-end closing process.

Planned corrective action: See page 18

Finding 2019-002:

2019-002: Bank reconciliations should be completed timely.

Status of finding: The County has not cleared this finding, which has been repeated in the current year as finding 2020-002.

Reason for reoccurrence: The County Treasurer's office implemented new cash receipting software that does not interface easily with the County's general ledger.

Planned corrective action: See page 18

Finding 2019-003:

2019-003: The County does not currently possess the in-house capabilities to evaluate whether the financial statement presentation and disclosures are in accordance with GAAP.

Status of finding: The County has not cleared this finding, which has been repeated in the current year as finding 2020-003.

Reason for reoccurrence: The County has determined that it is more cost-effective to outsource the preparation of the financial statements and footnotes to the auditors than incur the time and expense of preparing in-house.

Planned corrective action: See page 19

LAPEER COUNTY, MICHIGAN

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2020**

Finding 2019-004:

2019-004: Reconciliation of the Clerk's Restitution custodial liability account in the general ledger to subsidiary records is not being performed on a regular basis.

Status of finding: The County has not cleared this finding, which has been repeated in the current year as finding 2020-004.

Reason for reoccurrence: The statutorily elected County Clerk has stewardship over the account noted.

Planned corrective action: See page 19

Finding 2019-005:

2019-005: Interfund borrowing of the Drainage District Funds, per the County general ledger, is not being reconciled to subsidiary records.

Status of finding: The County has cleared this finding. Reported corrective action in the prior year was taken.

**LAPEER COUNTY
ADMINISTRATION OFFICE
AND FINANCE DEPARTMENT**

*County Complex Building
255 Clay Street
Lapeer, MI 48446*

*Phone (810) 667-0366
Fax (810) 667-0369
E-mail: jarnold@lapeercounty.org*

March 11, 2022

County corrective action plan required for the “Schedule of Findings and Questioned Costs” for the year ended December 31, 2020.

Section II – Financial Statement Findings

2020-001: Material Adjusting Entries

County Response:

The County continues to make improvements in this area and has taken corrective action by reviewing and approving the proposed audit adjustments. In addition to eliminating and/or reducing future material audit adjustments, the County Finance Department shall evaluate the process in current use to review the work generated from the year-end closing process prior to formally closing the books for the annual financial statement audit. The County continues to rely on technology upgrades to assist in streamlining accounting procedures. The County is currently implementing a subsidiary ledger system at the Health Department which will be reconciled monthly to source documents and quarterly to the County general ledger. The County has reviewed and subsequently revised the method for adjusting the CDBG allowance for doubtful accounts, which will be utilized for the 2021 audit year. The County Finance Department and Drain Office Accountant are working on the coordination of information between the Departments.

2020-002: Bank Reconciliation Should be Completed Timely

County Response:

The County continues to make improvements in this area. The County has reviewed and revised procedures and internal controls in the area of bank account reconciliations. The revised procedures require the completion of the bank reconciliation including posting of all journal entries so that there are no unreconciled differences by the 20th of each subsequent month and that the reconciliation reports be reviewed and signed off on by the County Treasurer or County Controller/Administrator by the end of each month.

2020-003: Preparation of the Financial Statements in Accordance with Generally accepted Accounting Principles

County Response:

The County has decided that it is more cost effective to outsource the preparation of the financial statements and footnotes to the auditors than incur the time and expense of preparing in-house. No further action is considered necessary at this time.

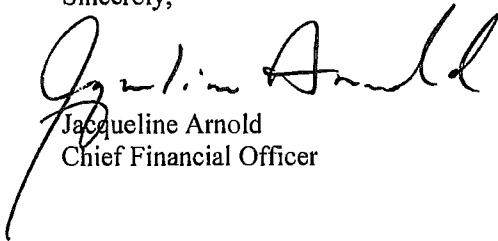
2020-004: Liabilities Maintained in Custodial Accounts Should be Reconciled to the Subsidiary Records

County Response:

The County continues to strive to make improvements in this area. Training has been offered and will be continued to be offered by the County Finance Department to the statutorily elected County Clerk whose department has stewardship over the custodial account noted.

We appreciate the opportunity to submit our response to the Schedule of Findings and Questioned Costs for the year ended December 31, 2020. We believe the implementation of the aforementioned comments and suggestions and our improvements or changes in procedures will not only correct the findings, but prevent them from reoccurring in the future.

Sincerely,



Handwritten signature of Jacqueline Arnold in black ink.

Jacqueline Arnold
Chief Financial Officer