

LAPEER COUNTY, MICHIGAN

**SUPPLEMENTARY INFORMATION TO
FINANCIAL STATEMENTS**

(FEDERAL AWARDS)

FOR THE YEAR ENDED DECEMBER 31, 2019

LAPEER COUNTY, MICHIGAN

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**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, 2019 and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated August 7, 2020 which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal 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
December 21, 2020

LAPEER COUNTY, MICHIGAN

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA 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 | | 192MI003W1003 | \$ 331,714 | \$ - * |
| Breastfeeding | | 172MI013W5003 | 11,804 | - * |
| Breastfeeding | | 182MI003W1003 | 7,084 | - * |
| Breastfeeding | | 192MI003W1003 | 9,443 | - * |
| TOTAL U.S. DEPARTMENT OF AGRICULTURE | | | <u>360,045</u> | <u>-</u> |
| <u>U.S. DEPARTMENT OF JUSTICE:</u> | | | | |
| <u>Direct program:</u> | | | | |
| Bulletproof Vest Partnership Program | 16.607 | N/A | 1,111 | - |
| <u>Passed Through the Michigan Department of State Police:</u> | | | | |
| Edward Byrne Memorial Justice Assistance Prog. | 16.738 | 2017-MU-BX-0191 | 58,896 | 10,733 |
| TOTAL U.S. DEPARTMENT OF JUSTICE | | | <u>60,007</u> | <u>10,733</u> |
| <u>U.S. DEPARTMENT OF TRANSPORTATION:</u> | | | | |
| <u>Passed Through the Michigan Department of State Police:</u> | | | | |
| Highway Safety Cluster - National Priority Safety Programs | 20.616 | PT-19-38 | 11,122 | - |
| TOTAL U.S. DEPARTMENT OF TRANSPORTATION | | | <u>11,122</u> | <u>-</u> |
| <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 | | FS975487-17 | 974 | - * |
| Public Water Supply Supervision | | FS975487-17 | 5,332 | - * |
| Source Water Assessment | | FS975487-17 | 900 | - * |
| TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY | | | <u>7,206</u> | <u>-</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, 2019**

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA Number | Pass-Through Grantor's Number | Expenditures | Expenditures Passed to Subrecipients |
|---|---------------------------|-------------------------------------|------------------|--|
| <u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u> | | | | |
| <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 | | | |
| Case Coordination and Support | | N/A | \$ 7,228 | \$ - * |
| Care Management | | N/A | 6,564 | - * |
| Homemaker, P/C | | N/A | 29,895 | - * |
| | | | <u>43,687</u> | <u>-</u> |
| Special Programs for the Aging-Title III, Part C - | | | | |
| Nutrition Services - | | | | |
| Congregate Meals | 93.045 | N/A | 61,643 | - * |
| Home Delivered Meals | | N/A | 95,742 | - * |
| | | | <u>157,385</u> | <u>-</u> |
| Nutrition Services Incentive Program - | | | | |
| Congregate Meals | 93.053 | N/A | 11,960 | - * |
| Home Delivered Meals | | N/A | 71,593 | - * |
| | | | <u>83,553</u> | <u>-</u> |
| Total Aging Cluster | | | <u>284,625</u> | <u>-</u> |
| <u>Passed through the Michigan Supreme Court State Court Administrative Office:</u> | | | | |
| Grants to States for Access and Visitation Programs | 93.597 | N/A | 3,000 | - |
| <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 | 758,741 | - |
| Prosecuting Attorney - Cooperative Reimbursement | | CSPA17-44002 | 117,698 | - |
| Federal Incentive Payments | | N/A | 146,460 | - |
| | | | <u>1,022,899</u> | <u>-</u> |
| Immunization Cooperative Agreements - | 93.268 | | | |
| Immunization Action Plan (IAP) | | NH23IP000752 | 12,221 | - * |
| Immunization Action Plan (IAP) | | NH23IP922635 | 10,184 | - * |
| Immunization Fixed Fees | | NH23IP000752 | 5,050 | - * |
| PPHF Capacity Building Assistance | | NH23IP000752 | 18,332 | - * |
| Vaccine Doses | | N/A | 173,759 | - * |
| | | | <u>219,546</u> | <u>-</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, 2019**

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA 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 | | NU90TP921906 | \$ 91,460 | \$ - * |
| Bioterrorism | | NU90TP922062 | 30,043 | - * |
| Bioterrorism - Cities Readiness Initiative | | NU90TP921906 | 16,900 | - * |
| Bioterrorism - Cities Readiness Initiative | | NU90TP922062 | 5,715 | - * |
| | | | <u>144,118</u> | <u>-</u> |
| Medicaid Cluster - | | | | |
| Medical Assistance Program - | 93.778 | | | |
| Medicaid Outreach | | 1905MI5ADM | 500 | - * |
| CSHCS CC - Care Coordination Services: | | | | |
| Title V/XIX | | 1905MI5ADM | 10,375 | - * |
| CSHCS CC - Care Coordination: | | | | |
| Title V/XIX Clients | | 1905MI5ADM | 690 | - * |
| CSHCS CC - Case Management Services: | | | | |
| Title V/XIX | | 1905MI5MAP | 302 | - * |
| CSHCS - Medicaid Outreach | | 1905MI5ADM | 14,367 | - * |
| CSHCS - Outreach & Advocacy | | 1905MI5ADM | 20,660 | - * |
| Total Medicaid Cluster | | | <u>46,894</u> | <u>-</u> |
| Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) - | 93.323 | | | |
| Epidemiology and Laboratory Capacity | | NU50CK000369 | 20,000 | - * |
| Maternal and Child Health Services Block Grant - | 93.994 | | | |
| Enabling Services - Children | | B0432550 | 32,000 | - * |
| Enabling Services - Women | | B0432550 | 4,921 | - * |
| CSHCS CC - Case Management Services Title V | | B0432550 | 8,600 | - * |
| CSHCS CC - Care Coordination: Title V Clients | | B0432550 | 1,800 | - * |
| | | | <u>47,321</u> | <u>-</u> |
| TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES | | | <u>1,788,403</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-2019-EP-00004 | 33,738 | - |

See Notes to Schedule of Expenditures of Federal Awards

LAPEER COUNTY, MICHIGAN

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2019**

| Federal Grantor/ Pass-Through Grantor/ Program Title | Federal CFDA 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 | \$ 9,557 | \$ - |
| Grant Program Year 2016 | | EMW-2016-SS-00010-S01 | 1,618 | - |
| | | | <u>11,175</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>54,013</u> | <u>-</u> |
| Total Federal Awards | | | <u>\$ 2,280,796</u> | <u>\$ 10,733</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, 2019

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, 2019. 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 basic financial statements include the Lapeer County Road Commission and Lapeer County Land Bank Authority as discretely presented component units and the Lapeer County Community Mental Health Board as a major governmental fund. These entities are audited separately by the auditors of the primary government and, if necessary, audits in accordance with the Uniform Guidance are issued. For 2019, audits in accordance with the Uniform Guidance were not required.

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).

NOTE 4 - SUBSEQUENT EVENT:

Subsequent to year-end, the County was awarded approximately \$2.5 million in funding from various programs encompassed within the newly created Coronavirus Relief Fund, CFDA #21.019. The expenditures for these federal awards will be subject to audit under the Uniform Guidance for the year ending December 31, 2020.

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, 2019, and the related notes to the financial statements, which collectively comprise the County’s basic financial statements, and have issued our report thereon dated August 7, 2020. 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, reported as a major governmental fund, 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 fund.

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 were not identified. However, as described in the accompanying schedule of findings and questioned costs, 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 and questioned costs as items 2019-001, 2019-002, 2019-004, and 2019-005 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 and questioned costs as item 2019-003 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 August 7, 2020.

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 and questioned costs. 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 image shows a handwritten signature in dark ink that reads "UHY LLP". The letters are stylized and slanted to the right.

Port Huron, Michigan
August 7, 2020

**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, 2019. 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 Board as a major governmental fund. These entities were audited under *Government Auditing Standards* separately by us 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, 2019.

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.

We noted certain matters that we reported to management in a separate letter dated August 7, 2020.

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.



Port Huron, Michigan
December 21, 2020

LAPEER COUNTY, MICHIGAN

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2019**

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 Program:

| <u>CFDA Number</u> | <u>Name of Federal Program or Cluster</u> |
|---|---|
| CFDA #93.563 | Child Support Enforcement |
| 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, 2019

Section II – Financial Statement Findings:

2019-001: Material Adjusting Entries (Repeat finding 2018-001)

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 misclassification of revenues and record deferred inflows of resources for unavailable revenues in the Health Department Fund
- To adjust CDBG receivable/allowance/deferred inflow of resources

Drain Funds (Component Unit):

- To reclassify interfund borrowing between the 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.

LAPEER COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2019

2019-002: Bank Reconciliations Should Be Completed Timely (Repeat finding 2018-002, 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.

Condition: The County did not prepare a timely bank reconciliation for the month of December 2019. The reconciled December 2019 bank reconciliation was not received until June 2019.

Context: Monthly bank reconciliations for each month during 2019 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.

2019-003: Preparation of the Financial Statements in Accordance with Generally Accepted Accounting Principles (Repeat finding 2018-003)

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).

LAPEER COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2019

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.

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.

2019-004: Liabilities Maintained in Agency Accounts Should Be Reconciled to Subsidiary Records (Repeat finding 2018-004, 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 agency liability accounts under their fiduciary responsibility. These accounts should be analyzed and reconciled on a regular basis (e.g., monthly or quarterly).

Condition: An agency 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 agency 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 agency 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.

LAPEER COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2019

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.

2019-005: Interfund Borrowing Activity of the Drainage District Funds as Reported in the County General Ledger Should Be Reconciled to the Subsidiary Records

Type: Material weakness in internal controls over financial reporting.

Criteria: A required element of internal control over interfund borrowing is to require periodic reconciliation of interfund borrowing activity reported in the Drainage District Funds in the County general ledger to the detailed subsidiary records maintained by the Drain Office.

Condition: It appears the County has not been reconciling the interfund borrowing activity of the Drainage District Funds to the subsidiary records, resulting in material unreconciled differences.

Context: Periodic reconciliations were not performed during 2019.

Cause: The County's procedures for the reconciling of interfund balances on a periodic basis as it relates to the Drainage District Funds appear to have not been performed.

Effect: The audit identified differences between the County general ledger and Drain Office subsidiary records for the interfund borrowing activity between the Drainage District Funds, resulting in material reclassification entries to correct the balances.

Recommendation: The County Finance Department should incorporate reconciliation of the interfund borrowing activity of the Drainage District Funds to the detailed subsidiary records maintained by the Drain Office as part of their periodic reconciliation process of the interfund balances.

View of responsible officials and planned 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, 2019

The responses below for findings identified in the 2018 single audit, identified as 2018-001 through 2018-004, were provided by Craig Horton, Chief Fiscal Officer of Lapeer County.

Finding 2018-001:

2018-001: 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 2019-001.

Reason for reoccurrence: This has been a finding we have received for several years. The County Finance Department under the direction of Craig Horton, Chief Fiscal 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 for planned corrective action.

Finding 2018-002:

2018-002: 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 2019-002.

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 for planned corrective action.

Finding 2018-003:

2018-003: 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 2019-003.

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 for planned corrective action.

LAPEER COUNTY, MICHIGAN

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2019**

Finding 2018-004:

2018-004: Reconciliation of the Clerk's Restitution agency 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 2019-004.

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

Planned corrective action: See page 19 for planned corrective action.

**LAPEER COUNTY
ADMINISTRATION OFFICE
AND FINANCE DEPARTMENT**

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September 16, 2020

County corrective action plan required for the “Schedule of Findings and Questioned Costs” for the year ended December 31, 2019.

Section II – Financial Statement Findings

2019-001: 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 2020 audit year. The County Finance Department and Drain Office Accountant are working on the coordination of information between the Departments.

2019-002: 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.

2019-003: 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.

2019-004: Liabilities Maintained in Agency 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 agency account noted.

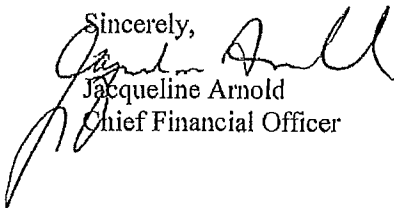
2019-005: Interfund Borrowing Activity of the Drainage District Funds as Reported in the County General Ledger Should Be Reconciled to the Subsidiary Records

County Response:

The County Finance Department will incorporate reconciliation of the interfund borrowing activity of the Drainage District Funds to the detailed subsidiary records maintained by the Drain Office as part of their periodic reconciliation process of the interfund balances.

We appreciate the opportunity to submit our response to the Schedule of Findings and Questioned Costs for the year ended December 31, 2019. 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,



Jacqueline Arnold
Chief Financial Officer