

LAPEER COUNTY, MICHIGAN

**SUPPLEMENTARY INFORMATION TO
FINANCIAL STATEMENTS**

(FEDERAL AWARDS)

FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021 and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated July 21, 2022, 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
September 28, 2022

LAPEER COUNTY, MICHIGAN

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Expenditures	Expenditures Passed to Subrecipients
U.S. DEPARTMENT OF AGRICULTURE:				
<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		212MI013W1003	\$ 345,154	\$ - *
Breastfeeding		202MI013W5003	20,305	- *
Breastfeeding		212MI013W5003	2,968	- *
Breastfeeding		212MI003W1003	7,891	- *
			<u>376,318</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>376,318</u>	<u>-</u>
U.S. DEPARTMENT OF JUSTICE:				
<u>Passed Through the Michigan Department of State Police:</u>				
COVID - 19 Coronavirus Emergency Supplemental Funding -	16.034			
COVID-19 Sheriff's		2020-VD-BX-0434	53,000	-
COVID-19 Courts		2020-VD-BX-0434	28,162	-
COVID-19 Prosecuting Attorney		2020-VD-BX-0434	18,523	-
			<u>99,685</u>	<u>-</u>
Edward Byrne Memorial Justice Assistance Prog.	16.738	2016-MU-BX-0703	37,665	10,391
			<u>37,665</u>	<u>10,391</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>137,350</u>	<u>10,391</u>
U.S. DEPARTMENT OF TRANSPORTATION:				
<u>Passed Through the Michigan Department of State Police:</u>				
Highway Safety Cluster -				
State and Community Highway Safety Program	20.600	PT-21-16	14,118	-
National Priority Safety Program	20.616	PT-21-16	14,420	-
			<u>14,420</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>28,538</u>	<u>-</u>
U.S. DEPARTMENT OF TREASURY:				
<u>Passed Through the Michigan Department of Health and Human Services:</u>				
COVID-19 Coronavirus Relief Fund -	21.019			
COVID-19 Immunizations COVID Response		STL0040	43,105	\$ - *
COVID-19 Local Health Department Contact Tracing		STL0040	49,400	- *
COVID-19 Local Health Department Testing		STL0040	150,680	- *
			<u>243,185</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, 2021**

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Expenditures	Expenditures Passed to Subrecipients
U.S. DEPARTMENT OF TREASURY (cont.):				
<u>Passed Through the Michigan Department of Treasury:</u>				
COVID-19 Coronavirus State and Local Fiscal Recovery Funds -	21.027			
COVID-19 Emergency Management Performance Grant - ARPA Supplemental Grant		N/A	\$ 13,570	\$ -
COVID-19 American Rescue Plan Act (ARPA) Grant 2021-2024 Award		44-0000-CLFRF	700,380	-
			<u>713,950</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF TREASURY			<u>957,135</u>	<u>-</u>
U.S. ENVIRONMENTAL PROTECTION AGENCY:				
<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		FS975487-19	974	- *
Source Water Assessment		FS975487-19	900	- *
Revised Total Coliform Rule		FS975487-19	5,114	- *
			<u>6,988</u>	<u>-</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>6,988</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:				
<u>Passed Through the Michigan Department of Health and Human Services:</u>				
Health Center Coronavirus Aid, Relief, and Economic Security (CARES) Act Funding	93.354			
COVID-19 PHEP COVID-19 Response		NU90TP922074	248,506	- *
<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 - Care Management	93.044	N/A	614	- *
Special Programs for the Aging-Title III, Part C - Nutrition Services -	93.045			
Congregate Meals		N/A	63,878	- *
COVID-19 - CARES ACT - Home Delivered Meals		N/A	76,390	- *
Home Delivered Meals		N/A	91,696	- *
			<u>231,964</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, 2021**

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Expenditures	Expenditures Passed To Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (cont'd):				
Nutrition Services Incentive Program -	93.053			
Congregate Meals		N/A	\$ 13,881	\$ - *
Home Delivered Meals		N/A	73,592	- *
			<u>87,473</u>	<u>-</u>
Total Aging Cluster			<u>320,051</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	<u>6,000</u>	<u>-</u>
<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	755,259	-
Prosecuting Attorney - Cooperative Reimbursement		CSPA17-44002	77,129	-
Federal Incentive Payments		N/A	133,429	-
			<u>965,817</u>	<u>-</u>
Immunization Cooperative Agreements -	93.268			
Immunization Action Plan (IAP)		NH23IP922635	39,943	- *
Immunization Action Plan - Pilot		NH23IP922636	12,005	- *
Immunization Fixed Fees		NH23IP922635	950	- *
COVID-19 Influenza Vaccination Supplemental		NH23IP922635	40,881	- *
COVID Immunization		NH23IP922635	2,027	- *
Vaccine Doses		N/A	133,873	- *
			<u>229,679</u>	<u>-</u>
<u>Passed Through the Valley Area Agency on Aging:</u>				
Immunization Cooperative Agreements - COVID-19 Influenza Vaccination Supplemental	93.268		<u>7,915</u>	<u>- *</u>
			<u>237,594</u>	<u>-</u>
<u>Passed through the Michigan Department of Health and Human Services (cont'd):</u>				
Public Health Emergency Preparedness -	93.069			
Bioterrorism (10/1/20-6/30/21)		NU90TP922062	71,110	- *
Bioterrorism (7/1/21-9/30/21)		NU90TP922062	29,110	- *
Bioterrorism - Cities Readiness Initiative		NU90TP922062	14,331	- *
Bioterrorism - Cities Readiness Initiative		NU90TP922062	3,293	- *
			<u>117,844</u>	<u>-</u>

LAPEER COUNTY, MICHIGAN

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Federal Grantor/ Pass-Through Grantor/ Program Title	Assistance Listing Number	Pass-Through Grantor's Number	Expenditures	Expenditures Passed To Subrecipients
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (cont'd):				
Medicaid Cluster -				
Medicaid Assistance Program (Title XIX) -	93.778			
CSHCS CC - Care Coordination Services:				
Title V/XIX		2005M15MAP	\$ 255	\$ - *
CSHCS CC - Care Coordination:				
Title V/XIX Clients		2105MI5ADM	10,000	- *
CSHCS - Medicaid Outreach		2105MI5ADM	2,289	- *
CSHCS - Outreach & Advocacy		2105MI5ADM	20,660	- *
OBRA/Pre-Admission Screening Annual Resident Reviews		20211640	52,154	- *
Total Medicaid Cluster			85,358	-
Epidemiology and Laboratory Capacity for Infectious Diseases (ELC) -	93.323			
COVID-19 - ELC Contact Tracing Testing Coordination		NU50CK00510	213,349	- *
Maternal and Child Health Services Block Grant -	93.994			
MCH-Children		B0440141	15,293	- *
CSHCS CC - Case Management Services Title V		B0440141	690	- *
CSHCS CC - Care Coordination: Title V Clients		B0440141	7,000	- *
			22,983	-
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			2,217,502	-
U.S. DEPARTMENT OF HOMELAND SECURITY:				
<u>Passed Through the Michigan Department of Natural Resources:</u>				
Boating Safety Financial Assistance - Marine Safety	97.012	N/A	11,170	-
<u>Passed Through the Michigan Department of State Police:</u>				
Emergency Management Performance Grant	97.042	EMC-2020-EP-00005	33,910	-
<u>Passed Through Isoco County, Michigan:</u>				
Homeland Security Grant Program	97.067			
FY 18		EMW-2018-SS-0042	46,867	-
FY 19		EMW-2019-SS-00021	106,555	-
			153,422	-
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			198,502	-
Total Federal Awards			\$ 3,922,333	\$ 10,391

See Notes to Schedule of Expenditures of Federal Awards

Concluded

LAPEER COUNTY, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2021

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, 2021. 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 the Lapeer County Medical Care Facility presented as a major fund, which received federal awards that are not included in the Schedule for the year ended December 31, 2021, as these entities were audited separately, and if necessary, audits in accordance with the Uniform Guidance are issued. For 2021, an audit in accordance with the Uniform Guidance was required for the Lapeer County Medical Care Facility.

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, 2021, 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 21, 2022. 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.

Report on 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) as a basis for designing 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 2021-001, 2021-002, and 2021-004 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 2021-003 to be a significant deficiency.

Report on 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 21, 2022.

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 21, 2022

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
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 Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Lapeer County, Michigan's (the "County") compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2021. 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.

The County's basic financial statements include the operations of the Lapeer County Land Bank Authority (Land Bank) and the Lapeer County Road Commission (Road Commission) as discretely presented component units, which expended \$2,423,770 and \$19,587, respectively and the Lapeer County Medical Care Facility (Medical Care Facility Fund) as a major fund, which expended \$1,509,070 in federal awards which are not included in the County's schedule of expenditures of federal awards during the year ended December 31, 2021. The Land Bank and Road Commission were audited under *Government Auditing Standards* separately, and an audit in accordance with the Uniform Guidance was not required. A separate audit under *Government Auditing Standards* and the Uniform Guidance of the Medical Care Facility was issued.

In our opinion, Lapeer County, Michigan complied in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

Basis for Opinion on Each Major Program

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 audit 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the County and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the County's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the County's federal programs

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the County's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the County's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the County's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance, and therefore, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be a material weakness and a significant deficiency.

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 a combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-005 to be a material weakness. 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-006 to be a significant deficiency.

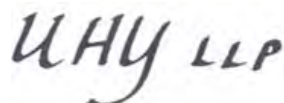
Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

We noted certain matters that we reported to management in a separate letter dated September 28, 2022.

Government Auditing Standards requires the auditor to perform limited procedures on Lapeer County, Michigan's response to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs.

Lapeer County, Michigan's response was not subjected to the other auditing procedures applied in the audit of compliance. Accordingly, we express no opinion on the response.

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 slanted to the right.

Port Huron, Michigan
September 28, 2022

LAPEER COUNTY, MICHIGAN

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2021**

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? x yes no
Significant deficiency(ies) identified not
considered to be material weaknesses? x yes 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>Assistance Listing Number</u>	<u>Name of Federal Program or Cluster</u>
#21.027	Coronavirus State & Local Fiscal Recovery Fund
#93.563	Child Support Enforcement

Dollar threshold used to distinguish
between Type A and Type B programs: \$750,000

Auditee qualified as low-risk auditee? yes x no

LAPEER COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2021

Section II – Financial Statement Findings:

2021-001: Material Adjusting Entries (Repeat finding 2020-001)

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

Drain Funds (Component Unit):

- To record additional payables for retainage and work completed prior to year-end for the Drainage District drain projects

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. Management is in the process of preparing the view of responsible officials and planned corrective action, which will be incorporated in the Single Audit Financial Report.

2021-002: Bank Reconciliations Should Be Completed Timely (Repeat finding 2020-002, 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, 2021

Condition: The County did not prepare a timely bank reconciliation for the month of December 2021. The reconciled December 2021 bank reconciliation was not received until April 2022.

Context: Monthly bank reconciliations for each month during 2021 appear to have been attempted and substantially completed 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 County's receipting software 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. Management is in the process of preparing the view of responsible officials and planned corrective action, which will be incorporated in the Single Audit Financial Report.

2021-003: Preparation of the Financial Statements in Accordance with Generally Accepted Accounting Principles (Repeat finding 2020-003)

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 Annual Comprehensive Financial Report (ACFR) 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 ACFR 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 ACFR 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 ACFR 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, 2021

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. Management is in the process of preparing the view of responsible officials and planned corrective action, which will be incorporated in the Single Audit Financial Report.

2021-004: Liabilities Maintained in Custodial Accounts Should Be Reconciled to Subsidiary Records (Repeat finding 2020-004)

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 planned corrective action: Management agrees with the finding. Management is in the process of preparing the view of responsible officials and planned corrective action, which will be incorporated in the Single Audit Financial Report.

LAPEER COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2021

Section III – Federal Award Program Findings and Questioned Costs:

2021-005: Strengthen Controls for Verifying Suspension and Debarment

Type: Material Weakness, Internal Control Over Compliance

Assistance Listing Number, Federal Agency, Program Name, Program Title, Pass-Through Grantor, and Pass-Through Name and Grant Number: Assistance listing #21.027, U.S. Department of Treasury, Passed Through the Michigan Department of Treasury, 44-0000-CLFRF

Criteria: Per the Procurement, Suspension, and Debarment compliance requirement, when procuring property and services, awarded entities must follow the procurements standards set out at 2 CFR Sections 200.318 through 200.326. Each procurement made using federal funds must comply with the guidance outlined within the Uniform Guidance. Per the Uniform Guidance for Procurement, Suspension, and Debarment, nonfederal entities are prohibited from contracting with or making subawards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. This requirement includes procurement contracts that are expected to exceed \$25,000.

Condition: During our testing of compliance with procurement requirements, we determined that the County could not provide documentation to support evaluation of suspension/debarment.

Context: Five procurement transactions with contracts in excess of \$25,000 were evaluated totaling cumulative payments of \$246,145 in relation to the total award spending of \$700,380.

Cause: The County's internal controls did not incorporate maintenance of support of the verification for suspension or debarment.

Effect: As a result, if the verification was not performed, payments could lead to a contract with a vendor that is prohibited from participating in federal programs. The County could also be required to repay any federal monies it used to cover the costs associated with a vendor that was suspended or debarred.

Recommendation: We recommend that the County strengthen existing controls to include maintaining evidence demonstrating that the verification of suspension and debarment was performed for vendors receiving \$25,000 or more in federal funds.

View of Responsible Officials: Management agrees with the finding. See corrective action plan.

LAPEER COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2021

2021-006: Strengthen Controls Over the Procurement Process

Type: Significant Deficiency, Internal Control Over Compliance

Assistance Listing Number, Federal Agency, Program Name, Program Title, Pass-Through Grantor, and Pass-Through Name and Grant Number: Assistance listing #21.027, U.S. Department of Treasury, Passed Through the Michigan Department of Treasury, 44-0000-CLFRF

Criteria: The County has a written procurement policy with defined purchasing thresholds. However, certain criteria are not well defined (e.g., noncompetitive procurement) in the policy. Due to this, we considered the noncompetitive procurement [Section 200.320(c)] of the Uniform Guidance for our evaluation of procurement.

Condition: During our audit, we selected one purchase that utilized the “sole source” purchase criteria and two purchases that utilized the “emergency” criteria. We were able to determine that the transactions met the U.G. criteria. However, the County did not have written sole source or emergency justification for the procurements on file at the time of our evaluation.

Questioned Cost: None

Context: Only three purchases out of our sample of 11 procurement transactions were noted where noncompetitive procurement was utilized.

Effect: None, since it was later determined that the purchases met the criteria for “sole source” and “emergency” procurement.

Cause: Oversight in documentation

Recommendation: The County should document the reason for “sole source” or “emergency” purchase at the time of procurement, including procedures utilized to search for other suppliers. A detailed memo should be prepared, including the documentation to support the noncompetitive procurement basis for these purchases. We also suggest the County incorporate procedures for noncompetitive procurements into its internal procurement policy.

Views of Responsible Officials: Management agrees with the finding. See corrective action plan.

LAPEER COUNTY, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2021

The responses below for findings identified in the 2020 single audit, identified as 2020-001 through 2020-005, were provided by Jackie Arnold, Chief Financial Officer of Lapeer County.

Finding 2020-001:

2020-001: 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 2021-001.

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 20

Finding 2020-002:

2020-002: 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 2021-002.

Reason for reoccurrence: The cash receipting software continues to create certain monthly cut-off problems, which has taken more time to resolve than is allowable under State guidelines.

Planned corrective action: See page 20

Finding 2020-003:

2020-003: 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 2021-003.

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 20

LAPEER COUNTY, MICHIGAN

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2021**

Finding 2020-004:

2020-004: 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 and has not taken corrective action as necessary.

Planned corrective action: See page 21



MICHIGAN'S OLDEST COURTHOUSE

LAPEER COUNTY
FINANCE DEPARTMENT

*County Complex
Building*
255 Clay Street

JACQUELINE
ARNOLD
*Chief Financial
Officer*

MICHELLE
BONESTEEL
Accounting Coordinator

JACKY BENNETT
Accounting Coordinator

EVELYN M.
SCHROEDER
*Chief Accounts
Payable Coordinator*

SHERYL M. SIMS
*Payroll/Benefits
Coordinator*

September 20, 2022

Section II-Financial Statement Findings

2021-001: Material Adjusting Entries

County Response:

There has been noted improvement of communication of financial activity between the Finance Department, other county departments, and the Board of County Commissioners and progress toward resolution of the untimely reconciliation of the County common cash account. Continued improvement of these matters should reduce the likelihood of material adjustments going forward. In addition, the replacement to a retired staff in the Drain Office has an accounting background, which provides an internal resource to assist with accounting issues as they occur. We anticipate substantial improvement with this matter in 2022.

2021-002: Bank Reconciliations Should be Complete More Timely

County Response:

Bank reconciliations of the common bank account were commenced with substantially all reconciling items identified on a timely basis during 2021. More emphasis will be made to complete, account for, and propose adjustments to general ledger, if needed, for all reconciling items on a timely basis. The 2022 bank reconciliations have all been prepared and we believe going forward should be reconciled on a timely basis.

2021-003: Preparation of Financial Statements in Accordance with GAAP

County Response:

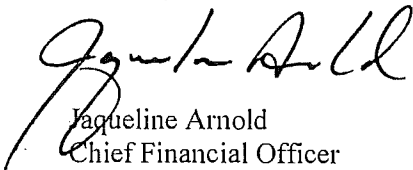
Due to the cost/benefit considerations, the County will continue to engage the Auditors to assist us in this area. At the conclusion of the current audit, three members of the Finance Department and the Administrator/Controller met with the auditors to go over the draft of financial statements and other reports to be issued with the audit. During this two-hour meeting, the financial statements were thoroughly reviewed and challenged to allow us to understand and accept responsibility for the information included and reduce the likelihood of errors and omissions.

2021-004: Liabilities Maintained in the Custodial Accounts Should be Reconciled to the Subsidiary Records

County Response:

The Finance Department continues to assist and monitor other departments with the procedure requiring periodic reconciliation of the custodial subsidiary liability records to the custodial liability control accounts maintained in the general ledger. The assistance includes assigning a Finance Department staff member to make periodic visits to departments having difficulty with the reconciliation process. Substantial progress has been made over the past several years. The County Clerk's restitution account continues to have material unreconciled balances. After year-end certain unclaimed balances related to this account were escheated to the State. Our expectation is that these actions should resolve this matter going forward.

Sincerely,



Jaqueline Arnold
Chief Financial Officer
Lapeer County
jarnold@lapeercounty.org



MICHIGAN'S OLDEST COURTHOUSE

LAPEER COUNTY

FINANCE DEPARTMENT

*County Complex
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SCHROEDER
*Chief Accounts
Payable Coordinator*

SHERYL M. SIMS
*Payroll/Benefits
Coordinator*

September 28, 2022

Section III-Federal Award Program Findings and Questioned Costs

2021-005: Strengthen Controls for Verifying Suspension and Debarment

County Response:

The County will maintain evidence demonstrating that the verification of suspension and debarment was performed for vendors receiving \$25,000 or more in federal funds.

2021-006: Strengthen Controls Over the Procurement Process

County Response:

The County will document the reason for “sole source” or “emergency” purchase at the time of the procurement including procedures utilized to search for other suppliers. A detailed memo will be prepared including the documentation to support the noncompetitive procurement basis for these purchases. The County will update its internal procurement policy to include procedures for noncompetitive procurements.

Sincerely,

Jaqueline Arnold
Chief Financial Officer
Lapeer County
jarnold@lapeercounty.org

**AUDIT COMMUNICATION LETTER
FOR THE SINGLE AUDIT**

To Management and the Lapeer County Board of Commissioners
Lapeer County, Michigan

In planning and performing our audit of the financial statements of Lapeer County, Michigan (the “County”), as of and for the year ended December 31, 2021 in accordance with auditing standards generally accepted in the United States of America, we considered the County’s internal control over federal awards (internal control) as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on each major federal program’s compliance, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control. Accordingly, we do not express an opinion on the effectiveness of the County’s internal control over federal awards.

However, during our audit, we became aware of deficiencies in internal control other than significant deficiencies and material weaknesses and matters that are opportunities for strengthening internal controls and operating efficiency. The memorandum that accompanies this letter summarizes our comments and suggestions regarding those matters. A separate letter dated July 21, 2022 contains our communication of significant deficiencies or material weaknesses in the County’s internal control over financial reporting. This letter does not affect our report dated July 21, 2022 on the financial statements of Lapeer County.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various County personnel, and we will be pleased to discuss them in further detail, perform any additional study of these matters, or assist you in implementing the recommendations at your convenience.

This information is intended solely for the use of the County, management, and the Lapeer County Board of Commissioners and is not intended to be, and should not be, used by anyone other than these specified parties.

UHY LLP

Port Huron, Michigan
September 28, 2022

Attachment A

The following item that we discussed with management is not considered a material weakness or significant deficiency, however, is an item that could improve controls, the operational efficiency of the accounting department, and/or compliance with laws and regulations.

Written procedures for federal awards should be enhanced.

The Office of Management and Budget (OMB) provides requirements for federal awards in 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Under the Uniform Guidance, non-federal entities must have written procedures for five (5) of the compliance areas, if applicable, and it is recommended that entities have written procedures for any of the other applicable compliance areas that are significant to grant administration. The County does have documented written procedures over the required compliance areas; however, some are very general in nature and do not include specific detailed control procedures utilized by County personnel.