

LAPEER COUNTY, MICHIGAN

**SUPPLEMENTARY INFORMATION TO
FINANCIAL STATEMENTS**

(FEDERAL AWARDS)

FOR THE YEAR ENDED DECEMBER 31, 2015



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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 17, 2016, which contained unmodified opinions on those financial statements. Our report includes a reference to other auditors. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for the purposes of additional analysis as required by Title 2 *U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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

June 17, 2016

LAPEER COUNTY, MICHIGAN

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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 Food Program for Women, Infants, and Children (WIC) -	10.557			
Resident Services		IW100342	\$ 325,101	\$ - *
Breastfeeding		IW100342	7,697	- *
Breastfeeding		W500342	16,344	- *
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>349,142</u>	<u>-</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>				
<u>Passed Through Michigan Jobs Commission:</u>				
Community Development Block Grant/ Small Cities Program -	14.228			
Housing Rehabilitation		MSC 2011-0751-HOA	38,408	-
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:			<u>38,408</u>	<u>-</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>				
<u>Passed Through the Michigan Department of State Police:</u>				
Edward Byrne Memorial Justice Assistance Prog.	16.738	2012-DJ-BX-0109	44,100	33,229 *
<u>Passed Through the Michigan Department of Health and Human Services:</u>				
Bulletproof Vest Partnership Program	16.607	N/A	6,633	-
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>50,733</u>	<u>33,229</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION:</u>				
<u>Passed Through the Michigan Department of State Police:</u>				
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	HM-HMP-0347-13-01-00	1,382	-
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>1,382</u>	<u>-</u>
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY:</u>				
<u>Passed Through The Michigan Department of Environmental Quality:</u>				
Drinking Water State Revolving Fund Cluster - Capitalization Grants for Drinking Water State Revolving Funds -	66.468			
Standard/Operator Assistance		FS97548712	1,630	- *
Capacity Development		FS97548712	450	- *
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>2,080</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, 2015**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures	Expenditures Passed to Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>				
<u>Passed Through the Valley Area Agency on Aging:</u>				
Special Programs for the 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	\$ 3,054	\$ - *
Care Management		N/A	564	- *
Homemaker, P/C		N/A	51,064	- *
			54,682	-
Special Programs for the Aging-Title III, Part C -				
Nutrition Services -				
Congregate Meals	93.045	N/A	45,202	- *
Home Delivered Meals		N/A	88,150	- *
			133,352	-
Nutrition Services Incentive Program -				
Congregate Meals	93.053	N/A	10,604	- *
Home Delivered Meals		N/A	58,421	- *
			69,025	-
Total Special Programs for the Aging Cluster			257,059	-
<u>Passed through the Michigan Department of Health and Human Services:</u>				
Child Support Enforcement - Title IV-D -	93.563			
Friend of the Court-Cooperative Reimbursement		CSFOC13-44001	675,953	-
Prosecuting Attorney-Cooperative Reimbursement		CSPA13-44002	105,493	-
Federal Incentive Payments		NA	145,825	-
			927,271	-
<u>Passed through the Michigan Supreme Court State Court Administrative Office:</u>				
Access and Visitation	93.597	N/A	3,390	-
<u>Passed through the Michigan Department of Health and Human Services:</u>				
Immunization Cooperative Agreements -	93.268			
Immunization Action Plan (IAP)		H23 CCH522556	41,339	- *
Vaccine Doses		N/A	205,395	- *
			246,734	-
Public Health Emergency Preparedness -	93.069			
Bioterrorism		U90TP000528	119,802	- *
Bioterrorism - Cities Readiness Initiative		U90TP000528	31,845	- *
Bioterrorism - Ebola Virus Disease Phase II		U90TP000528	454	- *
			152,101	-

See Notes to Schedule of Expenditures of Federal Awards

LAPEER COUNTY, MICHIGAN

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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>				
Medical Assistance Program Title XIX- Medicaid Outreach	93.778	05 U05M15ADM	\$ 25,176	\$ - *
CSHCS - Medicaid Outreach		05 U05M15ADM	15,341	- *
CSHCS - Outreach & Advocacy		05 U05M15ADM	20,000	- *
Omnibus Budget Reconciliation Act		NA	11,226	- *
			<u>71,743</u>	<u>-</u>
Prevention and Public Health Funds Capacity Building Assistance to Strengthen Public Health Immunization Infrastructure and Performance Financed in Part by Prevention and Public Health Funds - Immunization Action Plan (IAP)	93.539	H23 IP000752	6,297	- *
Maternal and Child Health Services Block Grant- Other - MCH	93.994	B1MIMCHS	10,000	- *
Immunization - Children - MCH		B1MIMCHS	26,921	- *
			<u>36,921</u>	<u>-</u>
Total Passed Through Michigan Department of Health and Human Services			<u>513,796</u>	<u>-</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>1,701,516</u>	<u>-</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u>				
<u>Passed Through The Michigan 3rd District Regional Homeland Security Planning Board:</u>				
Emergency Management Performance Grant - FY 14 Supplemental Distribution	97.042	EMW-2014-EP-00023	1,490	-
FY 15 Award		EMW-2015-EP-00029	24,781	-
			<u>26,271</u>	<u>-</u>
<u>Passed through Alcona County:</u>				
Homeland Security Grant Program - FY 13 Homeland Security Grant Program	97.067	EMW-2013-SS-00049	12,995	-
<u>Passed through Iosco County:</u>				
Homeland Security Grant Program - FY 14 Homeland Security Grant Program	97.067	EMW-2014-SS-00059	27,679	-
FY 15 Homeland Security Grant Program		EMW-2015-SS-00033	12,504	-
			<u>53,178</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, 2015**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures	Expenditures Passed To Subrecipients
U.S. DEPARTMENT OF HOMELAND SECURITY (cont'd):				
<u>Passed Through The Michigan Department of Natural Resources:</u>				
Boating Safety Financial Assistance - Marine Safety	97.012	N/A	\$ 7,200	\$ -
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>86,649</u>	<u>-</u>
Total Federal Awards			<u>\$ 2,229,910</u>	<u>\$ 33,229</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, 2015

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, 2015. 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). In addition, expenditures reported on the Schedule are recognized following the cost principles contained in Subpart E of the Uniform Guidance or OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The cost principles followed for expenditures presented on this Schedule are based on whether incremental funding of existing federal awards was provided after December 26, 2014 and for all new federal awards expended after this date (the effective date of The Uniform Guidance). 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.

For purposes of charging indirect costs to federal awards, the County has not elected to use the 10% de minimis cost rate.

The County's basic financial statements include the Lapeer County Road Commission and Lapeer County Land Bank Authority as discretely presented component units. These entities are audited separately by the auditors of the primary government in the case of the Lapeer County Road Commission and other auditors in the case of the Lapeer County Land Bank Authority and, if necessary, audits in accordance with the Uniform Guidance are issued. For 2015, audits in accordance with the Uniform Guidance were not required for either of these component units.

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 Community Health (pass-through grantor).

LAPEER COUNTY, MICHIGAN

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2015**

NOTE 4 - DRINKING WATER REVOLVING FUND:

The Michigan Municipal Bond Authority provides loans through the Federal Program – Capitalization Grants for Drinking Water State Revolving Funds. As a result, the information on the loans (both federal and state portions) for projects that have outstanding loan balances at December 31, 2015 is as follows:

	Project		
	# 7042-01	# 7191-01	# 7192-01
Authorized	<u>\$ 1,021,207</u>	<u>\$ 695,000</u>	<u>\$ 2,090,000</u>
Balance 12/31/15	<u>\$ 251,507</u>	<u>\$ 449,868</u>	<u>\$ 1,422,694</u>
2015 Activity-			
Proceeds	\$ -	\$ -	\$ -
Expenditures:			
Capital Outlay	-	-	-
Debt Service-			
Principal	55,000	35,000	90,000
Interest and Fiscal Charges	6,975	10,303	32,145

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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 17, 2016. Our report includes a reference to other auditors who audited the financial statements of the Lapeer County Land Bank Authority, as described in our report on the County's financial statements. This report does not include the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors.

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 identified 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 2015-001, 2015-002, and 2015-004 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 and questioned costs as item 2015-003 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 June 17, 2016.

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.

Stewart Beauvais & Whipple, PC.
Certified Public Accountants

June 17, 2016

**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

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, 2015. 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. Our audit described below did not include the operations of the Lapeer County Land Bank Authority because the entity engaged other auditors to perform an audit under *Government Auditing Standards* and an audit in accordance with the Uniform Guidance was not required. The Lapeer County Road Commission was 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 its 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 its major federal program for the year ended December 31, 2015.

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 the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

June 17, 2016

LAPEER COUNTY, MICHIGAN

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2015**

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? yes no
Significant deficiency(ies) identified not considered to be material weaknesses? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:
Material weakness(es) identified? yes no
Significant deficiency(ies) identified not considered to be material weaknesses? yes none reported

Type of auditor’s report issued on compliance for major programs: 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 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?	<input type="checkbox"/> yes <input checked="" type="checkbox"/> no

LAPEER COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2015

Section II – Financial Statement Findings:

2015-001 Material Adjusting Entries

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 approved and posted by management) to adjust the County’s general ledger to the appropriate balances. Material entries were also identified and proposed to the Medical Care Facility portion of the audit, which has a separate accounting system.

Cause: The County and Medical Care Facility’s internal controls did not detect all adjustments necessary to properly report year-end balances.

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

- Reclassify posting of Foreclosure Fund auction proceeds in the amount of \$371,024 that should have been a reduction of the prior year receivable.
- Unrecorded State Convention Liquor Tax Distribution receivable of \$49,929 in the Health Department Fund.
- Unrecorded real property taxes returned delinquent (receivable) and offsetting due to villages (liability) in the amount of \$170,012 in the Tax Revolving Fund.
- Adjust allowance for uncollectible loans by increasing preliminary balance by \$641,326 and proposing a write-off of certain loan receivables in the amount of \$125,568, with the offset reducing deferred inflows of resources in the Community Development Fund.
- To record unrecorded net change to deposit hold at risk management pool to reflect reduction to the insurance expenditure in the amount of \$143,026 in the General Fund.
- To correct the classification of the deposit bond liability originally recorded as revenue in the amount of \$312,000 in the Special Assessment Drain Fund.
- To record budgeted County contributions to the Public Employee Health Care Fund in the amount of \$311,508 and recording the related budgeted transfers in the General Fund and Tax Revolving Fund in the amounts of \$160,000 and \$151,508, respectively.
- To correct contra receivable account balances with offsetting reduction to Medicaid and private pay revenue totaling \$213,461 in the Medical Care Facility Fund.
- Allowance for doubtful accounts was reduced by \$142,600 in the Medical Care Facility Fund.
- Workers’ compensation claims liability was reduced by \$80,967 in the Medical Care Facility Fund.
- Additional accrual of QAS expense in the amount of \$83,815 in the Medical Care Facility Fund.

LAPEER COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2015

Recommendation: Management has already taken appropriate corrective action by reviewing and approving the proposed audit adjustments.

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

2015-002 Segregation of Duties at the Medical Care Facility

Type: Material weakness in internal controls over financial reporting.

Criteria: Medical Care Facility - To mitigate the risk of fraudulent financial reporting and misappropriation of assets, there should be various controls in place including proper segregation of duties and proper review of bank reconciliations and manual journal entries recorded.

Condition: The controller is the only individual that has the capability to record manual journal entries. It was noted that no independent subsequent review of those entries is performed other than the Administrator's monthly review of the Facility's financial statements.

Context: The failure to implement the aforementioned internal controls exposes the Facility to potential fraudulent financial reporting or misappropriation of assets.

Cause: The Facility has not properly implemented segregation of duties as the controller has the ability to make entries into the system and has custody over certain assets.

Effect: The failure to implement the aforementioned internal controls exposes the Facility to potential fraudulent financial reporting or misappropriation of assets.

Recommendation: We recommend that the Administrator or designee review all bank reconciliations, manual journal entries recorded, and independent verification of the deposit made to the County Treasurer.

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

2015-003 Preparation of the Financial Statements in Accordance with Generally Accepted Accounting Principles

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 prepared in accordance with generally accepted accounting principles and presentation requirements of the Government Finance Officers Association.

Condition: The County has historically relied on its independent external auditors for their expertise and technical skills to prepare and present the Comprehensive Annual Financial Report in accordance with generally accepted accounting principles, including the footnotes and GASB No. 34 financial statements, as part of the annual audit process. Management then reviews the report once it has been prepared but hasn't acquired sufficient familiarity with all generally accepted accounting principles and financial statement presentation and disclosure requirements to prevent misstatements.

LAPEER COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2015

Cause: The County has made the decision that it is more cost effective/efficient to outsource the preparation of its Comprehensive Annual Financial Report 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 Comprehensive Annual Financial Report that is more than inconsequential could occur and not be prevented or detected by the County's current internal control processes.

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 corrective action: Management agrees with the finding. See corrective action plan.

2015-004 Liabilities maintained in agency accounts should be reconciled to subsidiary records.

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: Several agency liability accounts did not agree to the subsidiary records. Several of the accounts were not reconciled to the general ledger for the entire fiscal year.

Cause: The County does not have a policy for the reconciling/monitoring of the agency accounts to the subsidiary records.

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, is 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 detail. While the related cash balances were reconciled, this only verifies the amounts actually on hand, not the balances that should be on hand.

Recommendation: We recommend that the County implement a policy to ensure all agency accounts are reconciled to the general ledger on a regular basis.

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

Section III – Federal Award Program Findings and Questioned Costs:

There were no federal award program findings or questioned costs.

LAPEER COUNTY, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2015

The responses provided below for findings reported in the 2014 single audit identified as 2014-001, 2014-003, 2014-004, 2014-005, and 2014-006 were provided by Craig Horton, Chief Financial Officer of Lapeer County and by Tony Roeske, Controller of the Lapeer County Medical Care Facility for finding 2014-002.

Finding 2014-001:

2014-001: Material audit adjustments were proposed to correct the County's General ledger to properly reflect the appropriate balances in accordance with GAAP.

This finding is repeated in the current year as finding 2015-001.

Finding has not been corrected.

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 Financial Officer, continues to strive to record all adjustments required to present our financial statements in accordance with generally accepted accounting principles (GAAP). The Finance Department is staffed with only one full-time accountant 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: The County Finance Department will continue to work with department heads and elected officials emphasizing the importance of reviewing monthly budgetary status reports and communicating with Finance any items identified for consideration for adjustment. The County Finance Department went to the Board of Commissioners in 2015 and asked for an additional Finance position to help oversee these areas, propose corrective steps, and assist County departments in proper accounting procedures. The position was approved in 2016 and has been filled. The County Finance Department will also dedicate additional time to the year-end closing process focusing on prior year previously proposed audit adjustments to reduce the number of material adjustments. This planned corrective action to take place immediately and incorporate in the planning for the year-end closing process for the December 31, 2016 financial statement audit.

Finding 2014-002:

2014-002: An inadequate segregation of duties at the Medical Care Facility exists due to the Controller having access to both the network and financial statement application. In addition, manual journal entries prepared by the Controller are not reviewed by anyone and current evaluation of these changes in the system consists of review of the monthly financial reports generated off the system by the Facility Administrator.

This finding is repeated in the current year as finding 2015-002.

Finding has not been corrected.

Reason for reoccurrence: No action was taken during the time period from issuance of the finding to December 31, 2015.

LAPEER COUNTY, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2015

Planned corrective action: At the beginning of the month after the bank accounts are reconciled the Administrator will review the bank statement activity for all Facility bank accounts and review the bank reconciliations. After the General Ledger is closed for the previous month, the Administrator will log into ECS each month and run the Journal Entries Report and review it for the previous month. The Administrator will initial a log sheet and/or document in ECS that the task has been completed. This planned corrective action to take place immediately.

Finding 2014-003:

2014-003: The County currently does not possess the in-house capability to evaluate whether the financial statement presentation and disclosure is in accordance with GAAP.

This finding is repeated in the current year as finding 2015-003.

Reason for reoccurrence: The County is required to prepare financial statements in accordance with GAAP. 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.

Planned corrective action: None at this time because the cost exceeds the benefit.

Finding 2014-004:

2014-004: Reconciliation of the Agency Funds liability accounts in the general ledger to subsidiary records is not done on a regular basis.

This finding has been repeated as finding 2015-004.

Finding has only been partially corrected.

Reason for reoccurrence: The corrective action was delayed until the spring of 2016 to develop the training and schedule a time to hold the training session.

Planned corrective action: The County engaged the County auditors in early 2016 to provide training to the various individuals with responsibility for the maintenance of subsidiary records to establish a process to reconcile and adjust balances in the system on a timely basis. Follow-up will be performed by the County Finance Department under the Direction of Craig Horton, Chief Financial Officer. The County Finance Department went to the Board of Commissioners in 2015 and asked for an additional Finance position to help oversee these areas, propose corrective steps, and assist County departments in proper accounting procedures. The position was approved in 2016 and has been filled. The Finance Department is also in the process of developing written procedures to provide direction and consequences for noncompliance to help ensure the reconciling is performed and adjustments are made on a timely basis. The correction action is anticipated for completion before the December 31, 2016.

Finding 2014-005:

2014-005: The County is required to prepare a complete and accurate list of its federal award expenditures and prepare the schedule of expenditures of federal awards in accordance with the Uniform Guidance (formerly OMB Circular A-133).

LAPEER COUNTY, MICHIGAN

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2015

Corrected: The County Finance Department has implemented procedures to capture the information required to be reported on the SEFA. The process involved sending annual requests to the various County departments and agencies to provide information on new grants directly to the Finance Department. The Finance Department has assigned Jackie Arnold, Accountant, to coordinate efforts to compile the information and evaluate the accuracy and completeness of the information submitted.

Finding 2014-006:

2014-006: The County utilizes internal service funds to account for the financing of self-funding of unemployment and workers' compensation claims and certain federal grants were reimbursed for charges for services provided to these funds, which had excess working capital reserves.

Corrected: The County has paid back to the pass-through grantor agency the questioned costs identified in the 2013 audit (no questioned dollars identified in 2014) relating to this finding. The County suspended charging the various funds and departments for unemployment and workers' compensation services. Therefore, no requests for reimbursement were made for the 2014 and 2015 federal grants. The net positions at December 31, 2015 for the Unemployment and Workers' Compensation Funds continue to decrease through a combination of suspension of charges and realignment via interfund transfers to the Retirement Fund. The County continues to work to reduce the excess working capital reserves to an acceptable level to allow reestablishment of charging for these services and billing the federal grants for their share of the costs.



MICHIGAN'S OLDEST COURTHOUSE

Lapeer County
Administration Office

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June 17, 2016

County response to "Schedule of Findings and Questioned Costs" for the year ending December 31, 2015.

Section II – Financial Statement Findings

2015-001 Material Adjusting Entries

County Response:

-County Treasures Office booked auction proceeds as current year's revenue in the Foreclosure Fund and should have booked it against the prior year's receivable. Working with I.T. people to generate a report listing all prior year outstanding receivables and require departments to compare that to their current year revenue postings.

-County Health Departments Fiscal year ended September 30, 2015, Convention Liquor Tax Distribution from the state was not received until October 30, 2015. County Health Department failed to book the receivable from the state until after the auditors had arrived for the audit. County Finance Department shall review Fiscal Year End Procedures with the Health Department.

-In prior years, our audit firm required the County to cut off the booked liability to the villages as of 12/31 of the fiscal year. For 2015 the auditors stated we should be booking the entire liability whether collected or not as of 12/31. The County will follow the auditor's recommendations in future years.

-The County booked a percentage for an estimate of an allowance for uncollectable loans of \$641,326. The auditors requested documentation from the County's third party administrator HDC to support the estimate. HDC submitted \$143,026 as the uncollectable amount, which the County then booked. The auditors did not feel that was enough, and changed the amount to the original \$641,326. For future years the County shall require the third party administrator to perform a 100% review of the list of loans to determine whether changes in ownership have occurred and to estimate collectability.

-The County did not receive the statement reflecting the amount deposited into our pooled funds held by MMRMA until May of 2016, after the audit had started. The County will be more proactive in pursuing the information from our Third Party Administrator.

-The independent Elected County Drain Commissioner oversees the Special Assessment Drain Fund. Drain personnel, who report only to the Elected Drain Commissioner, booked a revenue instead of a liability. Both the independent auditors and County Finance Department are recommending the Drain Office purchase a financial accounting software package to help them maintain the financial records statutorily assigned to the Elected Drain Office. The County budget process starts in July, where software funding will be addressed.

-December 10, 2015 the Board of Commissioners authorized County Administration to make a contribution to the Public Employee Health Care fund held by MERS as of December 31, 2015. This means that a contribution will be made for employees eligible and on payroll as of December 31, 2015. This calculation cannot be made until after that date. The Finance Department made the calculation in 2016 and the contribution was made in 2016. The County does not believe the motion made by the Board of Commissioners specifically state the payment had to be made in 2015, but shall book an estimated payable at year end should this happen again.

-The independent auditors reported on a number of findings for the Medical Care Facility, which is governed by statute by a 3 member board. The Board is made up of two (2) appointees of the County Board of Commissioners and one (1) appointee of the Governor of the State of Michigan. By statute The County has no control over policies and procedures at the Medical Care Facility. Due to the fact the County has no Fiscal authority over the Medical Care Facility, we believe the MCF should respond to these matters and provide a separate corrective action plan. Please see separate Medical Care Facility's corrective action plan.

2015-002 Segregation of duties at the Medical care Facility

County Response:

-Please see separate Medical Care Facility's corrective action plan.

2015-003 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.

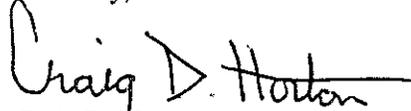
2015-004 Liabilities maintained in agency accounts should be reconciled to subsidiary records.

County Response:

-The subsidiary records are maintained at the department level for all agency accounts. Due to the varying levels of expertise at the department level, the County engaged the independent auditors to provide training to the various individuals with responsibility for maintenance of the subsidiary records to establish a process to reconcile, maintain and adjust balances in the system on a timely basis. The County further contracted with their IT people to enhance the report writing programs to make the generating, reviewing and maintaining of agency reports a simpler process. Accesses to reports are sent to the responsible individuals on a monthly basis, leading to more timely review at the department level and enhanced maintenance.

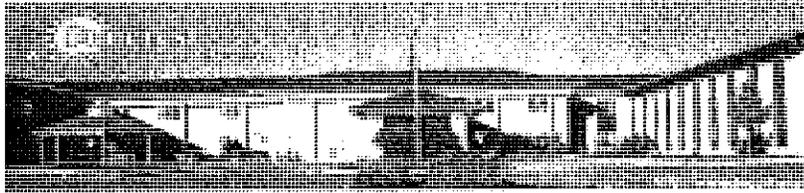
We appreciate the opportunity to submit our response to the Schedule of Findings and Questioned Costs for the year ending December 31, 2015. We believe the implementation of the aforementioned comments and suggestions and our improvements or changes in procedures will not only correct the findings, but prevent them from reoccurring in the future.

Sincerely,



Craig D. Horton
Chief Financial Officer

**HUMAN SERVICES
BOARD
CHAIRPERSON
Mary Sue Weber
VICE-CHAIRMAN
Dave Taylor
MEMBER
Deborah Bastien**



**ADMINISTRATOR
Gary L. Easton, M.A., N.H.A.
DIRECTOR OF NURSING
Douglas Campbell, R.N. N.H.A.
MEDICAL DIRECTOR
Charles Franckowiak, D.O.
ASSOCIATE
Rita Lang, D.O.**

*Lapeer County Medical Care Facility
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June 17, 2016

Medical Care Facility responses to "Schedule of Findings and Questioned Costs: for the year ending December 31, 2015.

Section II – Financial Statement Findings

2015-001 Material Adjusting Entries

Medical Care Facility Response:

Contra Receivable account: The office manager in coordination with the billing clerk's will track the accounts throughout the year to remove the appropriate accounts before year end. As the accounts are paid a list will be given to the controller to journal entry them to the correct account. Before or just after year end the Administrator, Controller and Office Supervisor will meet to discuss possible accounts to be placed in the contra account or removed from the account.

Allowance for doubtful accounts: The Administrator, Controller and office supervisor will meet to determine an appropriate balance for the year end with supporting documentation and reasons.

Workers Compensation Claims Liability: Will be reviewed quarterly at the Safety meeting and any adjustments noted will be communicated to the Controller to make adjustments to the accrued Workers compensation account.

Additional Accruals (QAS Expense): The office supervisor and controller will educate the staff on the importance of posting revenue and expense to the correct posting periods. The accounts payable clerk will continue to monitor the invoice to be sure they applied to the correct posting period. The cash receipts/receptionists will monitor the incoming cash, checks and electronic admittance advice to apply postings to the correct period. Both the Accounts payable and Cash Receipts clerk will notify the office supervisor or controller if they are unsure of the correct posting period. The controller and office supervisor will continue to review the accounts payable and cash receipts posting before and after year end.

2015-002 Segregation of duties at the Medical Care Facility

Medical Care Facility Response:

At the beginning of month, after the bank accounts are reconciled, the Administrator will review the bank statements and bank reconciliations for all facility accounts. Once the general ledger is closed for the previous month the administrator will log into ECS each month and run the journal entry report and review it. The Administrator will initial a log sheet and/or document in ECS that the task has been completed.

Gary Easton
Administrator