

LAPEER COUNTY, MICHIGAN

SUPPLEMENTARY INFORMATION TO
BASIC FINANCIAL STATEMENTS

(FEDERAL AWARDS)

FOR THE YEAR ENDED DECEMBER 31, 2006



LAPEER COUNTY, MICHIGAN

TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditor's Report on –	
Supplementary Financial Information	1
Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	2
Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance with OMB Circular A-133	4
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	10
Schedule of Findings and Questioned Costs	11
Management Responses –	
Current Year Single Audit Findings	14
Prior Year Single Audit Findings	15



**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY FINANCIAL INFORMATION**

To the Board of Commissioners
of Lapeer County
Lapeer, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lapeer County, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements. Those financial statements are the responsibility of Lapeer County's management. Our responsibility is to express opinions on those financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise Lapeer County, Michigan's basic financial statements. The Schedule of Expenditures of Federal Awards presented on Pages 6 through 9 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Nonprofit Organizations and is not a required part of the basic financial statements. The information in this schedule has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Stewart, Beauvais & Whipple
Certified Public Accountants

June 13, 2007



**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
of Lapeer County
Lapeer, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lapeer County, Michigan, as of and for the year ended December 31, 2006, which collectively comprise the County's basic financial statements and have issued our report thereon, dated June 13, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financing Reporting

In planning and performing our audit, we considered the County of Lapeer, Michigan's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by Lapeer County's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting, which are referenced as 06-01, 06-02 and 06-03.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Lapeer County's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that the significant deficiencies described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Lapeer County, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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 of Lapeer County, Michigan in a separate letter dated June 13, 2007.

Lapeer County's response to the findings identified in our audit is described in the accompanying Lapeer County response memo from the County Administrator/Controller. We did not audit Lapeer County's response and, accordingly we express no opinion on it.

This report is intended solely for the information and use of management, the Board of Commissioners, others with the County of Lapeer, Michigan, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

June 13, 2007

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Commissioners
of Lapeer County
Lapeer, Michigan

Compliance

We have audited the compliance of the County of Lapeer, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2006. The County of Lapeer, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of Lapeer, Michigan's management. Our responsibility is to express an opinion on the County of Lapeer, Michigan's compliance based on our audit.

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

In our opinion, the County of Lapeer, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2006.

Internal Control Over Compliance

The management of the County of Lapeer, Michigan, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of Lapeer, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 Lapeer County's internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, the Board of Commissioners, others within the County of Lapeer, Michigan, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants

June 13, 2007

LAPEER COUNTY, MICHIGAN

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
<u>Passed Through the Michigan Department of Community Health:</u>			
Special Supplemental Food Program for Women, Infants, and Children - WIC	10.557	N/A	\$ 139,122
<u>Passed Through The Michigan Department of State Police:</u>			
Emergency Food Assistance Program	10.569	N/A	26,963
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>166,085</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 - Housing Rehabilitation	14.228	MSC 04-0751-HOA	<u>168,162</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>168,162</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>			
<u>Direct Program</u>			
Bulletproof Vest Partnership Program	16.607	N/A	<u>1,179</u>
<u>Passed Through The Michigan Department of Human Services.</u>			
Juvenile Accountability Incentive Block Grants	16.523	JAIBG-05-44001	3,071
<u>Passed Through The Michigan Department of State Police:</u>			
Juvenile Accountability Incentive Block Grants	16.523	N/A	<u>19,126</u>
			<u>22,197</u>
<u>Passed Through The Michigan State Office of Drug Control Policy:</u>			
Edward Byrne Memorial Formula Grant Program/ Thumb Narcotics Unit	16.579	20061497	18,575
Edward Byrne Memorial Justice Assistance Grant Program/ Thumb Narcotics Unit	16.738	20061497&20071555	<u>97,510</u>
			<u>116,085</u>
<u>Passed Through The Michigan Department of State Police :</u>			
Youth Alcohol Enforcement Grant	16.727	N/A	<u>9,750</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>149,211</u>
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<u>Passed Through The Michigan Department of State Police :</u>			
State and Community Highway Safety - Drive Michigan Safely Task Force	20.600	N/A	<u>41,123</u>

LAPEER COUNTY, MICHIGAN

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY:</u>			
<u>Passed Through The Michigan Department of Environmental Quality:</u>			
Capitalization Grant for Drinking Water State Revolving Fund Arsenic Grant	66.468	N/A	\$ 1,464
Operators Certification	66.471	N/A	5,850
Hazardous Waste Management State Program Support - Hazardous Material Disposal (a)	66.801	N/A	<u>12,810</u>
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			<u>20,124</u>
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
<u>Passed Through Lapeer County Intermediate School District:</u>			
Infants and Toddlers with Disabilities - Early on Program	84.181	N/A	<u>100,736</u>
TOTAL U.S. DEPARTMENT OF EDUCATION			<u>100,736</u>
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Passed Through - Valley Area Agency on Aging:</u>			
Special Programs for the Aging - Title III , Part B - Grants for Supportive Services and Senior Centers - Senior Centers	93.004	N/A	10,854
Home Chore Services		N/A	<u>6,325</u>
			17,179
Special Programs for the Aging-Title III, Part D- Disease Prevention and Health Promotion Service	93.043	N/A	<u>2,173</u>
Case Coordination and Support	93.044	N/A	<u>5,437</u>
Special Programs for the Aging - Title III - Part C - Nutrition Services	93.045		
Congregate		N/A	9,750
Mobile Meals		N/A	<u>102,162</u>
			<u>111,912</u>
Title III - Part E - Respite Care	93.052	N/A	<u>5,700</u>
Title III - Part DS 2 - Nutrition Services- Nutrition Services Incentive Program	93.053	N/A	58,124
Medical Assistance Program Title XIX- Medical Waiver (a)	93.778	N/A	19,410
Total Passed Through Valley Area Agency on Aging			<u>219,935</u>

LAPEER COUNTY, MICHIGAN

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (cont'd):</u>			
<u>Passed Through the Michigan Department of Human Services:</u>			
Title IV B Subpart 2 -			
Family Preservation and Support Services			
Strong Families/Safe Children -	93.556		
Department of Human Services		N/A	\$ 13,766
Lapeer Family/Children's Coordinating Council		CAN-06-44001	3,446
Lapeer Family/Children's Coordinating Council		SFSC-06-44002	1,663
Health Department		SFSC-06-44001-3	22,162
			<u>41,037</u>
Temporary Assistance to Needy Families -			
Family Focus	93.558	CAN-06-44001	11,296
Medical Incentive Payments		N/A	141,909
Lift Program		WRAP-04-44001	9,730
			<u>162,935</u>
Child Support Enforcement			
Title IV D -	93.563		
Cooperative Reimbursement		CS/COMB-05&06	679,450
Medical Support Enforcement		CS/COMB-05&06	19,052
			<u>698,502</u>
Total Passed Through The Michigan Department of Human Services			<u>902,474</u>
<u>Passed Through Lapeer County Intermediate School District:</u>			
Temporary Assistance to Needy Families -			
Michigan Works	93.558	N/A	<u>29,434</u>
<u>Passed Through Michigan Department of Community Health:</u>			
Family Planning Services -			
Family Planning (a)	93.217	N/A	<u>29,119</u>
Childhood Immunization Grants -			
Immunization IAP	93.268	N/A	6,409
VFC Provider Site Visits		N/A	5,300
Vaccine Doses		N/A	296,102
Immunization Vaccine Handling		N/A	7,221
Medicaid Immunization IAP		N/A	93,171
			<u>408,203</u>
Centers for Disease Control -			
Investigations and Technical Assistance -	93.283		
Bioterrorism Grant		N/A	<u>154,930</u>
Medical Assistance Program Title XIX-			
CSHCS Outreach & Advocacy	93.778	N/A	5,575
Omnibus Budget Reconciliation Act		N/A	16,519
			<u>22,094</u>

LAPEER COUNTY, MICHIGAN

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES - (cont'd):</u>			
<u>Passed Through Michigan Department of Community Health (cont'd):</u>			
Block Grants for Community Mental Health Services-	93.958		
Block Grant		06B1MICMHS	\$ 87,466
Anti-Stigma Campaign		06B1MICMHS	31,915
Drop-In Center Enhancements		06B1MICMHS	4,866
Respite Services		06B1MICMHS	2,199
			<u>126,446</u>
Maternal and Child Health Services			
Block Grant -	93.994		
Family Planning		N/A	20,138
M+I Support Local MCH		N/A	13,119
CSHCS Outreach and Advocacy		N/A	15,885
			<u>49,142</u>
Total Passed Through Michigan Department of Community Health			<u>789,934</u>
<u>Passed Through St. Clair County - Health Department:</u>			
State Children Insurance Program - Adult Benefit Waiver (a)	93.767		
		N/A	<u>762</u>
Block Grants for Prevention and Treatment of Substance Abuse -	93.959		
Treatment, Prevention and Women's Treatment (a)		N/A	<u>85,181</u>
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			<u>2,027,720</u>
<u>U.S. DEPARTMENT OF CORPORATION FOR NATIONAL AND COMMUNITY SERVICE:</u>			
<u>Passed Through Lapeer County Intermediate School District:</u>			
Learn and Serve America - Serve Michigan Grant	94.004		
		N/A	<u>24,048</u>
<u>U.S. DEPARTMENT OF HOMELAND SECURITY</u>			
<u>Passed Through The Michigan Department of State Police:</u>			
State Homeland Security Grant Cluster-			
State Domestic Preparedness Equipment Support Program	97.004	N/A	25,189
State Homeland Security Program Equipment	97.067	N/A	372,207
			<u>397,396</u>
Emergency Management Performance Grant	97.042	N/A	<u>20,659</u>
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>418,055</u>
Total Federal Awards			<u>\$ 3,115,264</u>

LAPEER COUNTY, MICHIGAN

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2006**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of Lapeer and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE 2 - SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE:

Reimbursements of these contracts are not funded 100% by the Federal Government. The revenues reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective reimbursements and are a percentage of total contract expenditures as summarized below:

<u>Program</u>	<u>CFDA Number</u>	<u>Percent</u>
Coop. Reimbursement & Medical Support Enforcement	93.563	66.00
Family Planning Services	93.217	77.00/79.00
State Child Insurance Program- Advance Benefit Waiver	93.767	69.61
Preadmission Screening and Resident Revisions	93.778	75.00
Medicaid Outreach and Incentive Payment Project	93.778	50.00/56.59
Block Grants for Prevention & Treatment of Substance Abuse – Prevention and Treatment	93.959	80.00

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

The following schedule reconciles the intergovernmental revenues reported in the December 31, 2006 basic financial statements for the primary government and the intergovernmental revenues reported in the various component units 2006 financial statements to the expenditures of the County administered federal programs reported on the Schedule of Expenditures of Federal Awards.

	<u>Major Funds</u>	<u>Non-Major Funds</u>	<u>Discretely Presented Component Units</u>	<u>Total</u>
Balance per Financial Statements – Governmental Funds – Intergovernmental revenue	\$ 3,778,467	\$ 4,658,980	\$10,842,622	\$ 19,280,069
Less:				
State and Local intergovernmental revenue	(3,637,870)	(1,684,313)	(10,340,294)	(15,662,477)
Federal Revenue – Administered by Michigan Department of Transportation	-	-	(502,328)	(502,328)
Federal Award Expenditures	<u>\$ 140,597</u>	<u>\$ 2,974,667</u>	<u>\$ -</u>	<u>\$ 3,115,264</u>

LAPEER COUNTY, MICHIGAN

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2006**

Section I – Summary Of Auditor’s Results:

Financial Statements

Type of auditor’s report issued: Unqualified

Internal controls over financial reporting:
 Material weakness(es) identified? yes no
 Significant deficiency 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 identified not
 considered to be material weaknesses? yes none reported

Type of auditor’s report issued on compliance
 for major programs: Unqualified

Any audit findings disclosed that are required to
 be reported in accordance with Circular A – 133,
 Section 510(a)? yes no

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA #10.557	Special Supplemental Food Program for Women, Infants and Children (WIC)
CFDA #93.268	Childhood Immunization Grants
CFDA #14.228	Small Cities Program- Housing Rehabilitation
CFDA #93.563	Child Support Enforcement
CFDA #97.004	Homeland Security Grant Cluster- State Domestic Preparedness Equipment Support Program
CFDA #97.067	State Homeland Security Program Equipment

Dollar threshold used to distinguish
 between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? yes no

LAPEER COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2006

Section II – Financial Statement Findings:

The following findings are considered to be significant deficiencies on internal control over financial reporting that are also considered to be material weaknesses.

06-01

Program – This Financial Statement Finding does not have an effect on Federal Awards

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

Criteria: Statement on Auditing Standards No. 112, “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 significant deficiency in internal control over financial reporting.

Cause: The County having limited personnel due to budget cuts that has placed time restraints on the accounting office along with departments not taking responsibility for initiating journal entries has resulted in material audit adjustments being proposed.

Effect: There is more than a remote likelihood that a misstatement in the Comprehensive Annual Financial Report that is material would not be prevented or detected by Lapeer County’s internal control.

Recommendation: Departments should be held more responsible for initiating required journal entries through preparing the entry or at a minimum providing the finance department with required information. This communication process should be coordinated to also provide the entry on a more timely basis throughout the year.

06-02

Program – This Financial Statement Finding has an effect on all Federal Awards

Condition: Lapeer County did not have an individual to review the Comprehensive Annual Financial Report to determine if it was presented in accordance with generally accepted accounting principles and presentation requirements of the Government Finance Association.

Criteria: Statement on Auditing Standard No. 112 “Communicating Internal Control Related Matters Identified in an Audit” specifies that if an entity does not have individuals on staff that can draft or review the financial statements to assure that they are accurate and reported in accordance with Generally Accepted Accounting Principles then the entity has a significant deficiency in internal control over reporting.

Cause: Lapeer County not having the time or resources has the auditor draft the basic financial statement of the CAFR along with the notes and supplementary information. Also, the County does not have someone on staff currently prepared to review the CAFR and determine that it is a complete presentation in accordance with Generally Accepted Accounting Principles.

Effect: There is more than a remote likelihood that a misstatement in the Comprehensive Annual Financial Report that is material would not be prevented or detected by Lapeer County's internal control.

Recommendation: Even though the financial statements are reviewed by Lapeer County personnel and the transmittal letter and management discussion and analysis are completed by management, Lapeer County should increase responsibility for the review of the total comprehensive financial statement.

06-03

Program – This Financial Statement Finding has an effect on all Federal Programs

Condition: Bank reconciliations for the common checking drainage districts and District Court bond and restitutions checking account had not been reconciled on a timely basis.

Criteria: The State of Michigan Department of Treasury emphasizes that timely bank reconciliations are a part of good internal control and requires that auditors answer on the audit procedures report that accompanies the annual financial report to the Michigan Department of Treasury, whether bank reconciliations are completed on a timely basis. The audit procedures report form instructions provide guidance that timely bank reconciliations are those completed within six weeks from the end of a particular month.

Cause: The cause of the reconciliation of the common bank account not being timely was the result of changing to positive pay, which caused problems with the statement process. The cause of the drainage districts' cash not being reconciled on a timely basis was the individual cash account balances per drainage district not being readily available. The cause of the District Court Bond and restitutions checking account not being reconciled timely was the not recording of miscellaneous adjustments.

Effect: Cash errors, intentional or otherwise, cannot be detected in a timely manner. This could result in more than a remote likelihood that an error could exist and not be prevented or detected by Lapeer County's internal control.

Recommendation: The County is aware of the condition with the common cash checking and obviously should return to timely bank reconciliations now that the condition was resolved. Immediately upon the implementation of the computer software designed for the drain funds, cash should be reconciled per drainage district. The District Court checking account should be monitored more closely by someone other than the person performing the reconciliation to not only help assure proper reconciliation but also as a mitigating control because of a lack of segregation of duties.

To: Federal Grantors and Flow-Through Agencies

From: John Biscoe, Administrator/Controller

Response: Single Audit Findings for 2006

Date: June 13, 2007

Response to 2006-1

06-01

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

We are coordinating with our department heads to better communicate required journal entries in a more timely manner throughout the year. This directly coincided with more timely reconciliation and correction of accounts in each department. We will key in on the specific areas noted with the audit.

06-02

Review of Comprehensive Annual Financial Report

We have always reviewed the financial information, however, as a result of Statement of Auditing Standards No. 112, will expand our review to GAAP presentation. Due to limited staff and current knowledge of GAAP, we do not foresee this comment being omitted for 2007. However, we do anticipate increased controls over reporting based on an increased effort of the review policies and improvement in the recording of year end adjusting entries.

06-03

Bank accounts not reconciled on a timely basis for the common checking, drainage districts and District Court bond and restitution checking.

The common checking account not being reconciled on a timely basis was an isolated instance. Reconciliations will return to be made on a timely basis.

The reconciliation of the drainage districts will be facilitated with the implementation of new computer software designed for the drain funds.

The District Court Bonds and restitutions checking account will include other reconciling items, so that reconciliation to the general ledger may be made monthly. Also, the detail supporting the bonds and restitutions will be reviewed by a second party to add internal controls to the process.

To: Federal Grantors and Flow-Through Agencies

From: John Biscoe, Administrator/Controller

Follow-up

Response: Single Audit Findings for 2005

Date: June 13, 2007

Response to 2005-1

We have met with our software provider for the Lapeer County accounting and financial system to modify our general ledger system to accommodate a subsidiary ledger for the drain funds. He is in the process of designing software to meet our needs.

As part of the process of maintaining control over the various drain funds, we have developed and are documenting internal communication and reporting procedures between the drain office, treasurer's office and finance department. Also, an individual has been transferred to the drain office that will assist in the process.

We recognize that this finding was also a 2004 finding and intended to make a decision in 2005 on the most efficient means of accomplishing the goal of improved accounting records. The decision was made in 2006 and we are in the implementation process.

Response to 2005-2

We have received assistance from the State of Michigan Department of Human Services and are going to provide assistance from our fiscal department. As part of the assistance the Lapeer County Finance department has become more involved by processing payroll and payables.

We will start assuring reconciliation with the County general ledger in 2007.

Response to 2005-3

We have requested a letter from the subrecipient stating that their procurement policies meet federal requirements and that their policy was followed when purchasing capital assets with Home Land Security Grant dollars.

We have monitored the Home Land Security Grant subrecipients more closely in 2006.