

**LAPEER COUNTY, MICHIGAN**

**SUPPLEMENTARY INFORMATION TO  
FINANCIAL STATEMENTS**

**(FEDERAL AWARDS)**

**FOR THE YEAR ENDED DECEMBER 31, 2018**



# LAPEER COUNTY, MICHIGAN

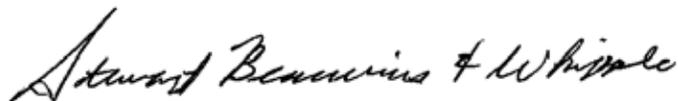
## TABLE OF CONTENTS

	<u>Page Number</u>
Independent Auditor's Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	1
<b>Supplementary Information:</b>	
Schedule Required by the Uniform Guidance - Schedule of Expenditures of Federal Awards	2
Notes to Schedule of Expenditures of Federal Awards	6
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	7
Independent Auditor's Report on Compliance for the Major Federal Program and on Internal Control over Compliance Required by the Uniform Guidance	9
Schedule of Findings and Questioned Costs	11
Summary Schedule of Prior Audit Findings	16
Corrective Action Plan (Unaudited)	18

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

To the Board of Commissioners of Lapeer County  
Lapeer, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Lapeer County, Michigan (the "County") as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 7, 2019 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.

A handwritten signature in black ink that reads "Stewart Beauvais & Whipple".

Certified Public Accountants

June 7, 2019

**LAPEER COUNTY, MICHIGAN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures	Expenditures Passed to Subrecipients
<b><u>U.S. DEPARTMENT OF AGRICULTURE:</u></b>				
<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		182MI003W1003	\$ 322,128	\$ - *
Breastfeeding		16162MI013W5003	14,166	- *
Breastfeeding		172MI013W5003	4,722	- *
Breastfeeding		182MI003W1003	9,443	- *
<b>TOTAL U.S. DEPARTMENT OF AGRICULTURE</b>			<b><u>350,459</u></b>	<b><u>-</u></b>
<b><u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u></b>				
<u>Passed Through the Michigan Strategic Fund:</u>				
Community Development Block Grant - State's Program and Non-Entitlement Grants in Hawaii -	14.228			
Revolving Loan Fund (RLF)		MSC 84-0029-ED	29,000	29,000
<b>TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</b>			<b><u>29,000</u></b>	<b><u>29,000</u></b>
<b><u>U.S. DEPARTMENT OF JUSTICE:</u></b>				
<u>Direct program:</u>				
Bulletproof Vest Partnership Program	16.607	N/A	4,242	-
<u>Passed Through the Michigan Department of State Police:</u>				
Edward Byrne Memorial Justice Assistance Prog.	16.738	2016-MU-BX-0703	52,000	-
<b>TOTAL U.S. DEPARTMENT OF JUSTICE</b>			<b><u>56,242</u></b>	<b><u>-</u></b>
<b><u>U.S. DEPARTMENT OF TRANSPORTATION:</u></b>				
<u>Passed Through the Michigan Department of State Police:</u>				
Highway Safety Cluster - National Priority Safety Programs	20.616	PT-18-08	22,490	-
<b>TOTAL U.S. DEPARTMENT OF TRANSPORTATION</b>			<b><u>22,490</u></b>	<b><u>-</u></b>

See Notes to Schedule of Expenditures of Federal Awards

**LAPEER COUNTY, MICHIGAN**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures	Expenditures Passed to Subrecipients
<b><u>U.S. ENVIRONMENTAL PROTECTION AGENCY:</u></b>				
<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		FS975487-16	\$ 1,411	\$ - *
Source Water Assessment		FS975487-16	800	-
<b>TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY</b>			<b><u>2,211</u></b>	<b><u>-</u></b>
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u></b>				
<u>Passed Through the Valley Area Agency on Aging:</u>				
Aging Cluster -				
Special Programs for the Aging-Title III, Part B -				
Grants for Supp. Services and Senior Centers -	93.044			
Case Coordination and Support		N/A	5,359	- *
Care Management		N/A	470	- *
Respite		N/A	15,057	- *
Homemaker, P/C		N/A	32,203	- *
			<u>53,089</u>	<u>-</u>
Special Programs for the Aging-Title III, Part C -				
Nutrition Services -				
Congregate Meals	93.045	N/A	48,541	- *
Home Delivered Meals		N/A	105,471	- *
			<u>154,012</u>	<u>-</u>
Nutrition Services Incentive Program -				
Congregate Meals	93.053	N/A	8,866	- *
Home Delivered Meals		N/A	63,548	- *
			<u>72,414</u>	<u>-</u>
Total Aging Cluster			<u>279,515</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	2,250	-
<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	719,941	-
Prosecuting Attorney - Cooperative Reimbursement		CSPA17-44002	109,012	-
Federal Incentive Payments		N/A	146,026	-
			<u>974,979</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, 2018**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures	Expenditures Passed To Subrecipients
<b><u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (cont'd):</u></b>				
<u>Passed through the Michigan Department of Health and Human Services (cont'd):</u>				
Immunization Cooperative Agreements -	93.268			
Immunization Action Plan (IAP)		NH23IP000752	\$ 7,328	\$ - *
Immunization Fixed Fees		NH23IP000752	1,550	- *
Vaccine Doses		N/A	134,273	- *
			<u>143,151</u>	<u>-</u>
Public Health Emergency Preparedness -	93.069			
Bioterrorism		NU90TP921906	120,901	- *
Bioterrorism - Cities Readiness Initiative		NU90TP921906	20,124	- *
			<u>141,025</u>	<u>-</u>
Medicaid Cluster -				
Medical Assistance Program -	93.778			
Medicaid Outreach		1805MI5ADM	5,096	- *
CSHCS CC - Care Coordination Services:				
Title V/XIX		1805MI5ADM	10,975	- *
CSHCS CC - Care Coordination:				
Title V/XIX Clients		1805MI5ADM	1,035	- *
CSHCS CC - Case Management Services:				
Title V/XIX		1805MI5MAP	302	- *
CSHCS - Medicaid Outreach		1805MI5ADM	10,581	- *
CSHCS - Outreach & Advocacy		1805MI5ADM	20,000	- *
Omnibus Budget Reconciliation Act		N/A	28,817	- *
Total Medicaid Cluster			<u>76,806</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 -	93.539			
Immunization Action Plan (IAP)		NH23IP000752	33,657	- *
Maternal and Child Health Services Block Grant -	93.994			
Enabling Services - Children		B04MC31495	36,921	- *
CSHCS CC - Case Management Services Title V		B04MC31495	8,200	- *
CSHCS CC - Care Coordination: Title V Clients		B04MC31495	2,040	- *
			<u>47,161</u>	<u>-</u>
<b>TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>			<u><b>1,698,544</b></u>	<u><b>-</b></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, 2018**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures	Expenditures Passed To Subrecipients
<b><u>U.S. DEPARTMENT OF HOMELAND SECURITY:</u></b>				
<u>Passed Through The Michigan Department of State Police:</u>				
Emergency Management Performance Grants - Grant Program Year 2017	97.042	EMC-2018-EP-00002	\$ 26,969	\$ -
<u>Passed through Iosco County:</u>				
Homeland Security Grant Program - Grant Program Year 2017	97.067	EMW-2017-SS-00013	597	-
Grant Program Year 2016		EMW-2016-SS-00010-S01	23,057	-
Grant Program Year 2015		EMW-2015-SS-00033	846	-
			<u>24,500</u>	<u>-</u>
<u>Passed Through The Michigan Department of Natural Resources:</u>				
Boating Safety Financial Assistance - Marine Safety	97.012	N/A	9,100	-
<b>TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY</b>			<b><u>60,569</u></b>	<b><u>-</u></b>
<b>Total Federal Awards</b>			<b><u>\$ 2,219,515</u></b>	<b><u>\$ 29,000</u></b>

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, 2018

#### **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, 2018. Expenditures reported on the Schedule are reported on the same basis of accounting, the *modified accrual basis*, as the financial statements, although the basis for determining when federal awards are expended is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this Schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

The County passes a certain amount of these federal awards to other local governments and agencies (subrecipients) who provide the actual program services. These awards passed through to subrecipients are recognized as expenditures by the County in the period the program services are provided.

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

The County's basic financial statements include the Lapeer County Road Commission and Lapeer County Land Bank Authority as discretely presented component units. These entities are audited separately by the auditors of the primary government and, if necessary, audits in accordance with the Uniform Guidance are issued. For 2018, 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 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, 2018, 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 7, 2019.

**Internal Control over Financing Reporting**

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2018-001, 2018-002, and 2018-004 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 2018-003 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 7, 2019.

## **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.



Certified Public Accountants

June 7, 2019

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

To the Board of Commissioners of Lapeer County  
Lapeer, Michigan

**Report on Compliance for the Major Federal Program**

We have audited Lapeer County, Michigan's (the "County") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2018. 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. The Lapeer County Road Commission and Lapeer County Land Bank Authority were audited under *Government Auditing Standards* separately by us and an audit in accordance with the Uniform Guidance was not required.

***Management's Responsibility***

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

***Auditor's Responsibility***

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

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

### ***Opinion on the Major Federal Program***

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended December 31, 2018.

### **Report on Internal Control Over Compliance**

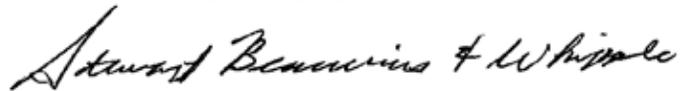
Management of the County is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County's internal control over compliance with the types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

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

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

We noted certain matters that we reported to management in a separate letter dated June 7, 2019.

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.



Certified Public Accountants

June 7, 2019

**LAPEER COUNTY, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**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, 2018**

**Section II – Financial Statement Findings:**

**2018-001: Material Adjusting Entries (Repeat finding 2017-001)**

**Type:** Material weakness in internal controls over financial reporting.

**Criteria:** Management is responsible for maintaining its accounting records in accordance with generally accepted accounting principles. Statement on Auditing Standards No. 115, “Communicating Internal Control Related Matters Identified in the Audit,” specifies that if material audit adjustments are required to be proposed, the entity has a material weakness in internal control over financial reporting.

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

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

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

Primary Government:

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

Drain Funds (Component Unit):

- To reclassify interfund borrowing between the Revolving Drain and Special Assessment Drain Funds

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

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

**LAPEER COUNTY, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**2018-002: Bank reconciliations should be completed timely. (Repeat finding 2017-002, as revised)**

**Type:** Material weakness in internal controls over financial reporting.

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

**Condition:** The County did not prepare a timely bank reconciliation for the month of December 2018. The reconciled December 2018 bank reconciliation was not received until after commencement of fieldwork in April 2019.

**Context:** Monthly bank reconciliations for each month during 2018 appear to have been attempted on a timely basis throughout the year. However, completion of the process continues to exceed the State guideline of six weeks subsequent to month-end.

**Cause:** For the first five months of 2018, the County was dealing with completing the December 2017 bank reconciliation. This put them behind with the 2018 bank reconciliations.

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

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

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

**2018-003: Preparation of the Financial Statements in Accordance with Generally Accepted Accounting Principles (Repeat finding 2017-003)**

**Type:** Significant deficiency in internal controls over financial reporting.

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

## LAPEER COUNTY, MICHIGAN

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2018

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

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

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

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

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

#### **2018-004: Liabilities maintained in agency accounts should be reconciled to subsidiary records. (Repeat finding 2017-004, as revised)**

**Type:** Material weakness in internal controls over financial reporting.

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

**Condition:** An agency liability account did not agree to the subsidiary records and hasn't been reconciled to the General Ledger for several years (Clerk's restitution).

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

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

**LAPEER COUNTY, MICHIGAN**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

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

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

**Section III – Federal Award Program Findings and Questioned Costs:**

There were no federal award findings or questioned costs.

## LAPEER COUNTY, MICHIGAN

### SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2018

The responses below for findings identified in the 2017 single audit, identified as 2017-001 through 2017-006, were provided by John Biscoe, Controller/Administrator of Lapeer County.

#### **Finding 2017-001:**

**2017-001:** 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 2018-001.

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

**Planned corrective action:** See page 18 for planned corrective action.

#### **Finding 2017-002:**

**2017-002:** The December bank reconciliation noted a difference of approximately \$44,000. Furthermore, none of the monthly reconciliations indicated the same unreconciled difference.

**Status of finding:** The County has partially cleared this finding, which has been repeated in the current year as finding 2018-002. The timeliness of completing the monthly bank reconciliation within six weeks of month-end has not been resolved.

**Reason for reoccurrence:** The County Finance Department was behind in the reconciliation process due to the previous year's backlog.

**Planned corrective action:** See page 18 for planned corrective action.

#### **Finding 2017-003:**

**2017-003:** 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 2018-003.

**Reason for reoccurrence:** The County is required to prepare financial statements in accordance with GAAP. 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 18 for planned corrective action.

**LAPEER COUNTY, MICHIGAN**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED DECEMBER 31, 2018**

**Finding 2017-004:**

**2017-004:** Reconciliation of various Agency Fund liabilities accounts in the General Ledger to subsidiary records is not being performed on a regular basis.

**Status of finding:** The County has partially cleared this finding, which has been repeated in the current year as finding 2018-004.

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

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

**Finding 2017-005:**

**2017-005:** Failure to adopt budget for the Community Development Fund

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

**Finding 2017-006:**

**2017-006:** Failure to perform required subrecipient communications

**Status of finding:** The finding is no longer valid due to the expiration and subsequent non-renewal of the grant in question.



MICHIGAN'S OLDEST COURTHOUSE

***Lapeer County***  
***Administration Office***  
255 Clay Street, Suite 301  
Lapeer, Michigan 48446

**phone 810 area code**  
667-0366  
667-0369 FAX  
**[www.lapeercountyweb.org](http://www.lapeercountyweb.org)**

June 11, 2019

County Response to “Schedule of Findings and Questioned Costs” for the year ended December 31, 2018.

## **Section II – Financial Statement Findings**

### **2018-001: Material Adjusting Entries**

#### **County Response:**

The County Finance Department will establish procedures and assign responsibility to review the work product and entries generated for the year-end closing process prior to formally closing the books for the annual financial statement audit. The County continues to rely on technology upgrades to assist in streamlining accounting procedures. The County is currently implementing a subsidiary ledger system at the Health Department which will be reconciled monthly to source documents and quarterly to the County general ledger. The County has reviewed and subsequently revised the method for supporting and adjusting the CDBG allowance for doubtful loans, which will be utilized for the 2019. The County Finance Department continues to offer assistance to the statutorily elected County Drain Commissioner in preparing accurate and timely entries.

### **2018-002: Bank reconciliations should be completed timely.**

#### **County Response:**

The County has reviewed and revised procedures and internal controls in the area of bank account reconciliations. The revised procedures to be implemented in 2019 require completion of bank reconciliation including posting of all entries so that there are no unreconciled differences by the 20<sup>th</sup> of each month and that reconciliation reports be reviewed and signed off on by the County Treasurer or County Controller/Administrator by the end of each month.

### **2018-003: 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.

**2018-004: Liabilities maintained in agency accounts should be reconciled to the subsidiary records.**

**County Response:**

Training and assistance will continue to be offered by the County Finance Department staff to the statutorily elected County Clerk whose department has stewardship over the agency account noted with the goal to complete the reconciliation of the subsidiary records to the cash balance held in 2019.

We appreciate the opportunity to submit our responses to the Schedule of Findings and Questioned Costs for the year ended December 31, 2018. 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,

A handwritten signature in black ink, appearing to read "John Biscoe". The signature is written in a cursive style with a large initial "J" and "B".

John Biscoe  
County Controller/Administrator