

Lenawee County,
Michigan



Year Ended
December 31,
2019

Single Audit Act
Compliance

LENAWEE COUNTY, MICHIGAN

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**Independent Auditors' Report on the Schedule of Expenditures of Federal Awards
Required by the Uniform Guidance**

June 30, 2020

Honorable Members of the
Board of Commissioners
of Lenawee County, Michigan
Adrian, 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 *Lenawee County, Michigan* (the "County"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 30, 2020, 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 purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations 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.



LENAWEE COUNTY, MICHIGAN

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2019

Federal Agency / Cluster /Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Agriculture				
Child Nutrition Cluster:				
School Breakfast Program	10.553	MDE	46-000-8003	\$ 27,475
National School Lunch Program	10.555	MDE	46-000-8003	41,642
Special Snack Program	10.555	MDE	46-000-8003	12,068
				<u>53,710</u>
Total Child Nutrition Cluster				<u>81,185</u>
U.S. Department of Justice				
Adult Drug Court Discretionary Grant Program	16.585	MSP	n/a	121,162
State Criminal Alien Assistance Program	16.606	Direct	n/a	2,574
Edward Byrne Memorial Formula Grant	16.738	MSP	n/a	2,740
Byrne Justice Assistance Grant	16.738	MSP	70859-5-13-B	27,323
				<u>30,063</u>
Total U.S. Department of Justice				<u>153,799</u>
U.S. Department of Transportation				
Airport Improvement Program:				
Acquire Land for Approaches (Parcel 73)	20.106	MDOT	B-26-0001-4614	518,616
Acquire Land for Approaches (Parcel 74)	20.106	MDOT	B-26-0001-5115	579,887
Acquire Land for Approaches (Parcel 75)	20.106	MDOT	B-26-0001-4714	457,290
				<u>1,555,793</u>
Environmental Protection Agency				
Drinking Water State Revolving Fund Cluster:				
Capitalization Grants for Drinking Water				
State Revolving Funds:				
* Operator Assistance	66.468	EGLE	n/a	219
* Source Water Assessment	66.468	EGLE	n/a	1,000
* Capacity Development	66.468	EGLE	n/a	600
				<u>1,819</u>
U.S. Department of Health and Human Services				
Aging Cluster:				
Special Programs for the Aging Title III, Part B -				
Grants for Supportive Services and Senior Centers:				
* Outreach	93.044	Region 2	n/a	15,605
* Senior Center Staffing	93.044	Region 2	n/a	19,243
* Volunteer Transportation	93.044	Region 2	n/a	7,186
* 3-B Chore	93.044	Region 2	n/a	2,985
* Home Care Assistance	93.044	Region 2	n/a	15,221
				<u>60,240</u>

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LENAWEE COUNTY, MICHIGAN

Schedule of Expenditures of Federal Awards For the Year Ended December 31, 2019

Federal Agency / Cluster /Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (continued)				
Special Programs for the Aging Title III, Part C -				
Nutrition Services:				
* Nutrition Congregate	93.045	Region 2	n/a	\$ 135,338
* Home Delivered Meals	93.045	Region 2	n/a	68,508
				<u>203,846</u>
* Nutrition Congregate	93.053	Region 2	n/a	29,778
* Home Delivered Meals	93.053	Region 2	n/a	124,278
				<u>154,056</u>
Total Aging Cluster				<u>418,142</u>
National Family Caregiver Support:				
* 3-E Respite	93.052	Region 2	n/a	8,718
* Information and Assistance	93.052	Region 2	n/a	1,825
* Caregiver Education	93.052	Region 2	n/a	16,197
* Volunteer Transportation	93.052	Region 2	n/a	11,537
* Adult Day Care	93.052	Region 2	n/a	2,567
				<u>40,844</u>
* Public Health Emergency Preparedness - Bioterrorism	93.069	MDHHS	20180079	<u>127,220</u>
* Wise Woman Program	93.094	MDHHS	20180079	<u>34,100</u>
* Family Planning Services	93.217	MDHHS	20180079	<u>68,357</u>
Immunization Cooperative Agreements:				
* Immunization - Vaccines (noncash)	93.268	MDHHS	20180079	115,751
* Immunization - IAP	93.268	MDHHS	20180079	3,650
				<u>119,401</u>
* Epidemiology and Laboratory	93.323	Region 2	20180079	<u>13,315</u>
* Medicare/Medicaid Assistance Program - State Health Insurance Assistance Program	93.324	Region 2	n/a	<u>6,067</u>
* Local Health Opioid Response	93.354	Region 2	20180079	<u>35,565</u>
* PPHF Capacity Building Assistance Immunization - IAP	93.539	MDHHS	20180079	<u>46,636</u>
Child Support Enforcement:				
Title IV-D - CRP Friend of the Court	93.563	MDHHS	CSFOC17-46001	770,903
Title IV-D - CRP Prosecuting Attorney	93.563	MDHHS	CSPA17-46002	138,912
Performance Incentive Payment	93.563	MDHHS	n/a	145,746
				<u>1,055,561</u>

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LENAWEE COUNTY, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2019

Federal Agency / Cluster /Program Title	CFDA Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of Health and Human Services (concluded)				
Medicaid Cluster:				
* CSHCS Medicaid Title XIX	93.778	MDHHS	20180079	\$ 12,982
* Medicaid Title XIX Outreach	93.778	MDHHS	20180079	26,927
* CSHCS Care Coordination Plan of Care	93.778	MDHHS	20180079	18,900
* CSHCS Medicaid Elevated Blood Lead	93.778	MDHHS	20180079	1,613
* CSHCS Outreach and Advocacy	93.778	MDHHS	20180079	26,660
				<u>87,082</u>
* Cancer Prevention and Control Programs - BCCP Coordination	93.898	MDHHS	20180079	<u>26,150</u>
* Family Planning	93.991	MDHHS	20180079	<u>10,000</u>
Maternal & Child Health Services Block Grants to the States:				
* Family Planning	93.994	MDHHS	20180079	16,619
* Childhood Lead Poisoning	93.994	MDHHS	20180079	15,000
* Local MCH - Family Planning	93.994	MDHHS	20180079	20,944
* CSHCS Care Coordination	93.994	MDHHS	20180079	1,050
* Public Health Function & Infrastructure - MCH	93.994	MDHHS	20180079	12,496
				<u>66,109</u>
Total U.S. Department of Health and Human Services				<u>2,154,549</u>
U.S. Department of Homeland Security				
Marine Safety Program Grant	97.012	MDNR	n/a	<u>12,347</u>
Emergency Management Performance Grant	97.042	MSP	n/a	<u>22,284</u>
State Homeland Security Grant - 2016	97.067	Ingham	n/a	91
State Homeland Security Grant - 2017	97.067	Ingham	n/a	101,364
				<u>101,455</u>
Total U.S. Department of Homeland Security				<u>136,086</u>
Total Expenditures of Federal Awards				<u>\$ 4,083,231</u>
				concluded

See notes to the schedule of expenditures of federal awards.

LENAWEE COUNTY, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal grant activity of Lenawee County, Michigan (the "County") under programs of the federal government for the year ended December 31, 2019. The information in this Schedule 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). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position or cash flows of the County.

The County's reporting entity is defined in Note 1 of the County's basic financial statements. The County's financial statements include the operations of the Lenawee County Road Commission and Lenawee Transportation Corporation, discretely-presented component units, which received federal awards that are not included in the Schedule for the year ended December 31, 2019, as these entities were separately audited.

Expenditures reported on the Schedule are reported on the accrual basis of accounting, which is described in Note 1 to the County's financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

2. 10% DE MINIMIS COST RATE

For purposes of charging indirect costs to federal awards, the County has not elected to use the 10 percent de minimis cost rate as permitted by §200.414 of the Uniform Guidance.

3. FISCAL REPORTING

Certain departments report on a different fiscal year than the County. Grants accounted for and reported on year-ends other than December 31, 2019 are denoted as such in the Schedule with an asterisk (*) for September 30 year ends.

4. PRE-AWARD COSTS

The Michigan Department of Transportation may approve reimbursement of costs related to projects undertaken (and paid to vendors) in prior periods. In those cases, as the payments were not previously reported as federal expenditures, they are reported on the Schedule in the current year when the reimbursement/revenue is received versus when the expenditures were incurred. The Airport Improvement Program (CFDA # 20.106) is applicable to the pre-award costs.

LENAWEE COUNTY, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

5. PASS-THROUGH AGENCIES

The County receives certain federal grants as subawards from non-federal entities. Pass-through entities, where applicable, have been identified in the Schedule with an abbreviation, defined as follows:

Pass-through Agency Abbreviation	Pass-through Agency Name
Ingham	Ingham County, Michigan
EGLE	Michigan Department of Energy, Great Lakes, and Environment
MDE	Michigan Department of Education
MDOT	Michigan Department of Transportation
MDHHS	Michigan Department of Health and Human Services
MDNR	Michigan Department of Natural Resources
MSP	Michigan State Police
Region 2	Region 2 Area Agency on Aging

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**Independent Auditors' 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***

June 30, 2020

Honorable Members of the
Board of Commissioners
of Lenawee County, Michigan
Adrian, 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 *Lenawee County, Michigan* (the "County"), as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 30, 2020. Our report includes a reference to other auditors who audited the financial statements of the Lenawee County Road Commission and the Lenawee Transportation Corporation, as described in our report on the County's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors. The financial statements of the Lenawee County Medical Care Facility were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial 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 first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and questioned costs, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2019-003 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Lenawee County'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 the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Rehmann Lobson LLC".

Independent Auditors' Report on Compliance for Each Major Federal Program
and on Internal Control over Compliance Required by the Uniform Guidance

June 30, 2020

Honorable Members of the
Board of Commissioners
of Lenawee County, Michigan
Adrian, Michigan

Report on Compliance for Each Major Federal Program

We have audited the compliance of *Lenawee County, Michigan* (the "County") with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended December 31, 2019. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

The County's basic financial statements include the operations of the Lenawee County Road Commission and the Lenawee Transportation Corporation. Our audit, described below, did not include the operations of the Lenawee County Road Commission and the Lenawee Transportation Corporation because they arranged for separate audits and did not meet the threshold for a single audit in accordance with the Uniform Guidance.

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.

Independent Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs 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 each major federal program. However, our audit does not provide a legal determination of the County's compliance.

Opinion on Each 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 each of its major federal programs for the year ended December 31, 2019.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2019-004. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we did identify a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2019-004, that we consider to be a significant deficiency.

The County's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on it.

Purpose of this Report

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.

Rehmann Johnson LLC

LENAWEE COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2019

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted yes X no

Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes X no

Significant deficiency(ies) identified? X yes none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? X yes no

Identification of major programs and type of auditors' report issued on compliance for each major program:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>	<u>Type of Report</u>
20.106	Airport Improvement Program	Unmodified
93.563	Child Support Enforcement	Unmodified

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

Auditee qualified as low-risk auditee? yes X no

LENAWEE COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS

2019-001 - Material Audit Adjustments (Repeated from Prior Year)

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. The County is responsible for the reconciliation of all general ledger accounts to their underlying balances for the purpose of creating a reasonably adjusted trial balance from which the basic financial statements are derived.

Condition. We identified and proposed adjustments (which were approved and posted by management) to adjust the County's general ledger to the appropriate balances, as follows:

- Special assessments receivable and deferred inflows were initially overstated by approximately \$370,000 in the drain commission component unit.
- Cash and other revenues were initially understated by approximately \$246,000 in the general fund.
- Accumulated depreciation and corresponding expenditures were initially overstated by approximately \$20,000 for governmental activities.
- Undistributed fees and cash were initially overstated by approximately \$367,000 in the trust and agency fund.
- Prepaids in the general fund were initially understated and corresponding expenditures were initially overstated by approximately \$162,000.
- Due from other governments and intergovernmental revenues were initially understated by approximately \$76,000 in the department on aging fund.
- Due to other governments and corresponding expenditures were initially understated by approximately \$44,000 in the drain commission component unit.
- Accounts payable and corresponding expenditures were initially understated by approximately \$62,000 in the general fund and overstated \$115,000 in the drain commission component unit.
- Salaries payable and corresponding expenditures were initially overstated by approximately \$268,000 in the general fund, understated in the enterprise funds by approximately \$10,000 and understated in the nonmajor governmental funds by approximately \$195,000.
- Compensated absences for the governmental activities and corresponding expenditures were initially overstated by approximately \$70,000.
- Accrued interest on long-term debt for the governmental activities was initially understated by approximately \$45,000.
- Bonds payable and bond proceeds for the governmental activities was initially understated by approximately \$75,000 and bond proceeds and notes payable for the drain commission was initially understated by approximately \$93,000.

Cause. Existing year-end closing procedures did not detect certain adjustments necessary to properly record year-end balances.

Effect. As a result of this condition, the County's financial statements were initially misstated by amounts that were material to the financial statements.

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

View of Responsible Officials. While management was aware of deficiencies in our year-end procedures, we are in the process of strengthening our processes, creating comprehensive audit reports and checklist, and developing sound practices to avoid adjusting journal entries.

LENAWEE COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS (Continued)

2019-002 - Timely Year-end Closing and Workpaper Preparation

Finding Type. Material Weakness in Internal Control over Financial Reporting.

Criteria. The timely preparation and issuance of financial statements in accordance with generally accepted accounting principles requires a coordinated effort between management and the external auditors. This places the burden on the auditee to properly prepare for the audit, including timely closing of the accounting records, preparation of workpapers to support the significant account balances and obtaining the necessary documents needed to perform their procedures.

Condition. Initially, management indicated it was substantially prepared for the audit and that the trial balance provided was reasonably adjusted at the onset of fieldwork in April. However, schedules were prepared for numerous significant audit areas after the start of fieldwork requiring material adjustments and significant delays to the audit process.

Cause. Management did not have identified deadlines and processes to ensure timely completion prior to the commencement of the audit.

Effect. As a result of these conditions, management was unable to timely close the accounting records and prepare for the audit. Additionally, we identified and proposed multiple material audit adjustments (which were approved and posted by management) to adjust the County's general ledger to the appropriate balances, as they had not been adjusted from the prior year.

Recommendation. We recommend that the County develop and adhere to (with appropriate oversight) a written plan with detailed tasks and completion points for the timely completion of year end closing procedures to ensure timely issuance of the financial statements.

View of Responsible Officials. Management is in the process of evaluating and strengthening our procedures to avoid delays for management and our external auditors.

LENAWEE COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2019

SECTION II - FINANCIAL STATEMENT FINDINGS (Concluded)

2019-003 - Preparation of the Schedule of Expenditures of Federal Awards and Grant Accounting

Finding Type. Significant Deficiency in Internal Control over Financial Reporting.

Criteria. The Uniform Guidance requires that the County “identify, in its accounts, all federal awards received and expended and the federal programs under which they were received. Federal program and award identification shall include, as applicable, the CFDA title and number, award number and year, name of the federal agency, and name of the pass-through entity.” In addition, the County is required to “prepare appropriate financial statements, including the schedule of expenditures of federal awards in accordance with the Uniform Guidance.”

Condition. While management was able to provide a mostly complete schedule of expenditures of federal awards (SEFA) at the beginning of audit fieldwork, an adjustment to properly report the Airport Improvement Program and the Child Support Enforcement grants were ultimately required resulting in changes to the total federal awards expended.

Cause. The County administers a wide array of federal and state grants through its many departments. The function of grant administration is highly decentralized.

Effect. The County’s SEFA preparation process did not detect variances in the originally reported federal expenditures, resulting in the amount of federal expenditures changing throughout the audit.

Recommendation. The County should evaluate its processes to ensure that all federal programs, and the required information related to those programs, are appropriately included on the SEFA. In addition, grant tie outs should be done to verify that expenditures, revenues and the related receivables for grants are properly recorded.

View of Responsible Officials. Management is currently in the process of evaluating grant proposals, awards and administration of grants for the county in a centralized environment.

LENAWEE COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs For the Year Ended December 31, 2019

SECTION III - FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2019-004 - Allowable Costs/Cost Principles - Payroll Charges (Repeated from Prior Year)

Finding Type. Immaterial Noncompliance; Significant Deficiency in Internal Controls over Compliance.

Program. Child Support Enforcement (CFDA# 93.563); U.S. Department of Health and Human Services; Passed through the Michigan Department of Health and Human Services; Project numbers CSFOC17-46001 and CSPA17-46002.

Criteria. Uniform Guidance requires the County to support payroll charged to federal cost objectives with adequate documentation that costs are reasonable for the services rendered and conform to the written policy established by the entity. The County's system of internal control requires that personnel activity reports be completed for employees who split their time between multiple cost objectives, and semi-annual payroll certifications for those charged to a single federal cost objective. Personnel activity reports must reflect an after-the-fact distribution of the actual activity of each employee, account for the total activity of each employee, and be prepared at least monthly to coincide with one or more pay periods.

Condition. The County uses both the 100% certification and personnel activity report methods for supporting payroll charged to federal cost objectives. The personnel activity reports used for Friend of the Court employees are daily time logs that are summarized for reporting and allocation of costs by a third party vendor. The personnel activity report completed by one employee did not agree to the time charged on the summary report for one of the 40 transactions selected for testing.

Cause. This condition appears to be the result of an error by the County's third party vendor during the process of summarizing personnel activity reports.

Effect. As a result of this condition, the County did not fully comply with the Uniform Guidance applicable to the above noted grants.

Questioned Costs. No costs have been questioned as a result of this finding.

Recommendation. We recommend that the County review the process for accumulating and summarizing time and effort with its new third party vendor to minimize the likelihood of errors in the reporting process.

View of Responsible Officials. Management will work with our departments and our third party vendor to establish a stronger internal control process and review for these payroll charges.



LENAWEE COUNTY, MICHIGAN

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2019

2018-001 - Material Audit Adjustments

The audit identified the need for substantial adjustments to the County's accounting records, which impacted a variety of funds and financial statement areas that collectively had a material effect on the County's financial statements. This matter was repeated as finding 2019-001.

2018-002 - Allowable Costs/Cost Principles - Payroll Charges

The County uses both the 100% certification and personnel activity report methods for supporting payroll charged to federal cost objectives. The personnel activity reports used for Friend of the Court employees are daily time logs that are summarized for reporting and allocation of costs by a third party vendor. The personnel activity report completed by one employee did not agree to the time charged on the summary reports for one of the 40 transactions selected for testing. As a result of this condition, the County did not fully comply with the Uniform Guidance applicable to the above noted grants. This matter was repeated as finding 2019-004.

