

Leelanau County,
Michigan



Year Ended
December 31, 2023

Single Audit Act
Compliance

Rehmann

LEELANAU COUNTY, MICHIGAN

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

June 18, 2024

Honorable Members of the
Board of Commissioners
Leelanau County
Suttons Bay, 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 **Leelanau County, Michigan** (the "County") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 18, 2024, 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 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 basic 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.

Rehmann Lobson LLC



LEELANAU COUNTY, MICHIGAN

Schedule of Expenditures of Federal Awards

For the Year Ended December 31, 2023

Federal Agency / Cluster / Program Title	Assistance Listing Number	Passed Through	Pass-through / Grantor Number	Federal Expenditures
U.S. Department of the Interior				
Payments in Lieu of Taxes	15.226	Direct	-n/a-	<u>\$ 127,343</u>
U.S. Department of Justice				
Bullet Proof Vest Partnership Program	16.607	Direct	-n/a-	<u>1,250</u>
U.S. Department of Transportation				
Hazardous Materials Emergency Preparedness Grant	20.703	MSP	HM-HMP-0286-14-01-00	<u>1,500</u>
U.S. Department of Treasury				
COVID-19 - Coronavirus State and Local Fiscal Recovery Funds	21.027	Direct	-n/a-	1,257,879
COVID-19 - Local Assistance and Tribal Consistency Fund	21.032	Direct	-n/a-	<u>50,000</u>
Total U.S. Department of Treasury				<u>1,307,879</u>
U.S. Environmental Protection Agency				
Brownfields Multipurpose, Assessment, Revolving Loan Fund	68.818	Direct	-n/a-	<u>54,164</u>
U.S. Department of Health and Human Services				
Title IV-D Child Support Enforcement	93.563	MDHHS	CS/FOC-12-45002	60,358
Substance Abuse Prevention and Treatment Block Grant	93.959	MDHHS	-n/a-	<u>19,000</u>
Total U.S. Department of Health and Human Services				<u>79,358</u>
U.S. Department of Homeland Security				
Marine Safety Program	97.012	MDNR	MSR-MS16-094	40,100
Emergency Management Performance Grant	97.042	MSP	EMC-2016-EP-00001-S01	12,999
Port Security Program	97.056	MSP	EMW-2023-PU-00244	409,266
Homeland Security Grant Program	97.067	MSP	EMW-2013-SS_00049	<u>1,215</u>
Total U.S. Department of Homeland Security				<u>463,580</u>
Total Expenditures of Federal Awards				<u><u>\$ 2,035,074</u></u>

See notes to schedule of expenditures of federal awards.

LEELANAU 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 **Leelanau County, Michigan** (the "County") under programs of the federal government for the year ended December 31, 2023. 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.

Expenditures reported on the Schedule are reported on the modified 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 or other applicable guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule 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. 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. 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
MSP	Michigan State Police
MDHHS	Michigan Department of Health and Human Services
MDNR	Michigan Department of Natural Resources



**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 18, 2024

Honorable Members of the
Board of Commissioners
Leelanau County
Suttons Bay, 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 **Leelanau County, Michigan** (the "County"), as of and for the year ended December 31, 2023, 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 18, 2024.

Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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. 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.



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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs, as items 2023-001, -002 and -003 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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*.

Leelanau County, Michigan's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the County's responses to the findings identified in our audit and 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 black ink that reads "Lehmann Johnson LLC". The signature is written in a cursive, flowing style.

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

June 18, 2024

Honorable Members of the
Board of Commissioners
Leelanau County
Suttons Bay, Michigan

Report on Compliance for the Major Federal Program

Opinion on the Major Federal Program

We have audited the compliance of **Leelanau County, Michigan** (the "County") with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on the County's major federal program for the year ended December 31, 2023. The County's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2023.

Basis for Opinion on the Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Independent Auditors' Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Independent Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the County's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the County's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control over compliance. Accordingly, no such opinion is expressed.

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

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2023-004 and -005. Our opinion on the major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the County's responses to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

Report on Internal Control Over Compliance

Our consideration of internal control over compliance was for the limited purpose described in the Independent Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies 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, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2023-004 and -005 to be significant deficiencies.

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

Government Auditing Standards requires the auditor to perform limited procedures on the County's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The County's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on them.

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 Loborn LLC

LEELANAU COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2023

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? X yes no

Significant deficiency(ies) identified? yes X 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

Type of auditors' report issued on compliance for major programs: Unmodified

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

Identification of the Major Program

Assistance Listing Number

21.027

Name of Federal Program or Cluster

Coronavirus State and Local Fiscal Recovery Funds

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

Auditee qualified as low-risk auditee? yes X no

LEELANAU COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-001 – Material Audit Adjustments and Preparation of Financial Statements in Accordance with GAAP (Repeated from Prior Year)

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

Criteria. All Michigan governments are required to prepare financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). This is a responsibility of the County's management. The preparation of financial statements in accordance with GAAP requires internal controls over both (1) recording, processing, and summarizing accounting data (i.e., maintaining internal books and records), and (2) reporting government-wide and fund financial statements, including the related footnotes (i.e., external financial reporting).

Condition. We identified and proposed material audit adjustments related to special assessment receivables and related deferred inflows of resources in the drain commission component unit. In addition, the County has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls.

Cause. This condition was caused by an oversight in recording adjustments for those areas noted above. This condition was also caused by the County's decision that it is more cost effective to outsource the preparation of its annual financial statements to the auditors than to incur the time and expense of obtaining the necessary training and expertise required for the County to perform this task internally.

Effect. As a result of this condition, the County's accounting records were initially misstated by amounts material to the financial statements. Also as a result of this condition, the County lacks complete internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

Recommendation. The County's decision to rely, in part, on its auditors, for the preparation of external financial statements is allowable provided the County accepts responsibility for the financial statements and that it is disclosed as part of the report on internal control and compliance in accordance with *Government Auditing Standards*. In addition, the material audit adjustments discussed above have been reviewed and approved by management. Therefore, no specific corrective action is required at this time.

View of Responsible Officials. Management agrees with the finding and has prepared a corrective action plan.

LEELANAU COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-002 – Internal Controls over County Finances / Segregation of Duties (Repeated from Prior Year)

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

Criteria. Management is responsible for establishing effective internal controls to safeguard the County's assets, and prevent or detect misstatements to the financial statements.

Condition. As is the case with many organizations of similar size, the County lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. During 2023, there were periods of the year in which the County did not have a finance director in place, and during these times duties were not fully segregated and related independent reviews were not consistently taking place.

Cause. This condition was caused by a lack of oversight and review and by turnover within the County finance department.

Effect. As a result of this condition, the County is exposed to an increased risk that misstatements or misappropriations might occur and not be detected by management in a timely manner.

Recommendation. We recommend that the County implement policies and procedures to address the above areas of concern attributed to the internal controls over the County's finances. We further recommend that segregation of duties be maintained wherever possible, and that independent reviews and approvals take place timely, and be evidenced in writing.

View of Responsible Officials. Management agrees with the finding and has prepared a corrective action plan.

LEELANAU COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-003 – Timely Recording and Accounting for Brownfield Transactions

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

Criteria. Management is responsible for the timely and accurate recording and accounting of transactions in the general ledger. In addition, reconciliations of activity and records should be completed and subject to independent review and approval.

Condition. We identified at least one instance in which a check was received by the Brownfield Redevelopment Authority (the "Brownfield"), but not deposited into the bank or recorded in the accounting records for several months after receipt. In addition, we identified at least one instance in which grant expenditures were incurred during 2023, but the associated revenue and receivable were not recorded in a timely manner. Further, we noted that cash receipting for the Brownfield is recorded into the general ledger by journal entry, rather than recording each actual cash receipt. Finally, we noted that certain reconciliations of the activity within the Brownfield are not taking place or being subject to independent review and approval.

Cause. This condition was caused by a lack of appropriate policies and procedures to record transactions in a timely manner and through the general ledger.

Effect. As a result of this condition, the County is exposed to an increased risk that misstatements or misappropriations might occur and not be detected by management in a timely manner.

Recommendation. We recommend that the County implement policies and procedures to address the above areas of concern attributed to the internal controls discussed above. We recommend that all activity be accounted for and recorded in the general ledger in a timely manner, and that cash receipts be recorded through the general ledger. We further recommend that reconciliations of the activity in these funds be completed timely, and that independent reviews and approvals take place, and be evidenced in writing.

View of Responsible Officials. Management agrees with the finding and has prepared a corrective action plan.

LEELANAU COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2023

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2023-004 – Written Policies and Procedures Required by the Uniform Grant Guidance

Finding Type. Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Allowable Costs/Cost Principles, Cash Management, and Procurement, Suspension and Debarment).

Program. Coronavirus State and Local Fiscal Recovery Funds; U.S. Department of Treasury; ALN 21.027.

Criteria. The Uniform Guidance requires a non-federal entity that has expended federal awards for a grant awarded on or after December 26, 2014 to have written policies pertaining to various areas, including: 1) Payments (draws of federal funds and how to minimize the time elapsing between the receipt of federal funds and the disbursement to contractors/employees/subrecipients) (§200.302 (6)); 2) Procurement (including bidding and a conflict of interest policy) (§200.318); 3) Allowability of costs charged to federal programs (§200.302 (7)); 4) Compensation (personnel and benefits policy) (§200.430 and §200.431); and 5) Travel costs (including mileage and per diem) (§200.474).

Condition. Although the County has processes in place to cover these areas, there are no formal written policies covering payments, procurement, and allowability of costs that address all of the areas required by the Uniform Guidance.

Cause. This condition appears to be the result of a time lag in identifying the requirement and developing a plan for compliance.

Effect. As a result of this condition, the County did not fully comply with the Uniform Guidance.

Questioned Costs. No costs were required to be questioned as a result of this finding inasmuch as our testing did not reveal any unallowed costs or excess cash draws.

Recommendation. We recommend that the County draft the required policies as soon as practical, but no later than the end of fiscal year 2024.

View of Responsible Officials. Management agrees with the finding and has prepared a corrective action plan.

LEELANAU COUNTY, MICHIGAN

Schedule of Findings and Questioned Costs

For the Year Ended December 31, 2023

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2023-005 – Procurement, Suspension and Debarment

Finding Type. Immaterial Noncompliance/Significant Deficiency in Internal Control over Compliance (Procurement, Suspension and Debarment).

Program. Coronavirus State and Local Fiscal Recovery Funds; U.S. Department of Treasury; ALN 21.027.

Criteria. A recipient of federal awards is required to determine that vendors being paid with federal funds are not suspended or debarred from doing business with the County. Such procedures are required whenever the amount disbursed to a single vendor in a given year is expected to be at least \$25,000.

Condition. The County did not verify that any of their vendors over \$25,000 were not suspended or debarred from doing business with the County.

Cause. This condition was caused by management oversight in knowing the federal compliance requirements of the grant.

Effect. As a result of this condition, the County was exposed to the risk that disbursements of federal awards would be made to vendors suspended or debarred by the federal government.

Questioned Costs. No costs have been questioned as a result of this finding, inasmuch as no suspended or debarred transactions were noted.

Recommendation. We recommend that the County verify that all of their vendors over \$25,000 spent with federal funds were not suspended or debarred.

View of Responsible Officials. Management agrees with the finding and has prepared a corrective action plan.



LEELANAU COUNTY, MICHIGAN

Summary Schedule of Prior Audit Findings

For the Year Ended December 31, 2023

2022-001 - Preparation of Financial Statements in Accordance with GAAP

The County has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the County's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the County's internal controls. This finding has been repeated as 2023-001.

2022-002 - Internal Controls over County Finances / Segregation of Duties

The audit noted instances in which the County's internal controls over various finance functions were not operating as designed, and instances in which segregation of duties were not achieved. This finding has been repeated as 2023-002.



BOARD OF COMMISSIONERS

Jamie Kramer, District #1
James S. O'Rourke, District #2
Douglas Rexroat, District #3
Ty Wessell, District #4
Kama Ross, District #5
Gwenne Allgaier, District #6
Melinda C. Lautner, District #7



Richard I. Lewis
Interim County Administrator

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Corrective Action Plan

Pursuant to federal regulations, Uniform Administrative Requirements Section 200.511, the following are the findings as noted in the *Leelanau County, Michigan* Single Audit report for the year ended December 31, 2023, and the corrective action to be completed.

2023-001 – Audit Adjustments and Preparation of Financial Statements in Accordance with GAAP

Auditor Description of Condition and Effect. We identified and proposed material audit adjustments related to special assessments receivables and related deferred inflows of resources in the drain commission component unit. In addition, the County has historically relied on its independent external auditors to assist in the preparation of the government-wide financial statements and footnotes as part of its external financial reporting process. Accordingly, the government's ability to prepare financial statements in accordance with GAAP is based, in part, on its reliance on its external auditors, who cannot by definition be considered a part of the government's internal controls. As a result of this condition, the County's accounting records were initially misstated by amounts material to the financial statements. Also as a result of this condition, the County lacks complete internal controls over the preparation of financial statements in accordance with GAAP, and instead relies, in part, on its external auditors for assistance with this task.

Auditor Recommendation. The County's decision to rely, in part, on its auditors, for the preparation of external financial statements is allowable provided the County accepts responsibility for the financial statements and that it is disclosed as part of the report on internal control and compliance in accordance with *Government Auditing Standards*. In addition, the material audit adjustments discussed above have been reviewed and approved by management. Therefore, no specific corrective action is required at this time.

Corrective Action. The County has reviewed and approved the proposed journal entries. In addition, the County has evaluated the cost vs. benefit of establishing internal controls over the preparation of financial statements in accordance with GAAP, and determined that it is in the best interests of the County to outsource this task to its external auditors, and to carefully review the draft financial statements and notes prior to approving them and accepting responsibility for their content and presentation.

Responsible Person. Leelanau County Board of Commissioners and County Administrator.

Anticipated Completion Date. December 31, 2024.

2023-002 – Internal Controls over County Finances / Segregation of Duties

Auditor Description of Condition and Effect. As is the case with many organizations of similar size, the County lacks a sufficient number of accounting personnel in order to ensure a complete segregation of duties within its accounting function. During 2023, there were periods of the year in which the County did not have a finance director in place, and during these times duties were not fully segregated and related independent reviews were not consistently taking place. As a result of this condition, the County is exposed to an increased risk that misstatements or misappropriations might occur and not be detected by management in a timely manner.

Auditor Recommendation. We recommend that the County implement policies and procedures to address the above areas of concern attributed to the internal controls over the County's finances. We further recommend that segregation of duties be maintained wherever possible, and that independent reviews and approvals take place timely, and be evidenced in writing.

Corrective Action. The County has reviewed the Finance position and has created a Finance Department along with creating an Administrator/CFO position.

Responsible Person. Leelanau County Board of Commissioners & Administration.

Anticipated Completion Date. December 31, 2024.

2023-003 – Timely Recording and Accounting for Brownfield Transactions

Auditor Description of Condition and Effect. We identified at least one instance in which a check was received by the Brownfield Redevelopment Authority (the "Brownfield"), but not deposited into the bank or recorded in the accounting records for several months after receipt. In addition, we identified at least one instance in which grant expenditures were incurred during 2023, but the associated revenue and receivable were not recorded in a timely manner. Further, we noted that cash receipting for the Brownfield is recorded into the general ledger by journal entry, rather than recording each actual cash receipt. Finally, we noted that certain reconciliations of the activity within the Brownfield are not taking place or being subject to independent review and approval. As a result of this condition, the County is exposed to an increased risk that misstatements or misappropriations might occur and not be detected by management in a timely manner.

Auditor Recommendation. We recommend that the County implement policies and procedures to address the above areas of concern attributed to the internal controls discussed above. We recommend that all activity be accounted for and recorded in the general ledger in a timely manner, and that cash receipts be recorded through the general ledger. We further recommend that reconciliations of the activity in these funds be completed timely, and that independent reviews and approvals take place, and be evidenced in writing.

Corrective Action. The Finance Director position along with an Administrator/CFO will implement policies and procedures to follow the auditor recommendation.

Responsible Person. Brownfield Authority, Planning Director, County Treasurer & Administrator/Finance.

Anticipated Completion Date. June 30, 2024.

2023-004 – Written Policies and Procedures Required by the Uniform Grant Guidance

Auditor Description of Condition and Effect. Although the County has processes in place to cover these areas, there are no formal written policies covering payments, procurement, and allowability of costs that address all of the areas required by the Uniform Guidance. As a result of this condition, the County did not fully comply with the Uniform Guidance.

Auditor Recommendation. We recommend that the County draft the required policies as soon as practical, but no later than the end of fiscal year 2024.

Corrective Action. Administration/Finance with work with legal council and auditors to draft the required changes.

Responsible Person. County Administrator.

Anticipated Completion Date. December 31, 2024.

2023-005 – Procurement, Suspension and Debarment

Auditor Description of Condition and Effect. The County did not verify that any of their vendors over \$25,000 were not suspended or debarred from doing business with the County. As a result of this condition, the County was exposed to the risk that disbursements of federal awards would be made to vendors suspended or debarred by the federal government.

Auditor Recommendation. We recommend that the County verify that all of their vendors over \$25,000 spent with federal funds were not suspended or debarred.

Corrective Action. The County will be creating a Certification of Suspension/Debarment Status form for vendor certification.

Responsible Person. County Administrator/Finance Department.

Anticipated Completion Date. June 30, 2024.

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