
DOUGLAS COUNTY, KANSAS

*OMB CIRCULAR A-133
SINGLE AUDIT REPORT
DECEMBER 31, 2009*

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Other Matters Based On An Audit Of Financial Statements
Performed In Accordance With *Government Auditing Standards*

Board of County Commissioners
Douglas County, Kansas

We have audited the basic financial statements of the governmental activities, each major fund, the aggregate discretely presented component units and the aggregate remaining fund information of Douglas County, Kansas (the County) as of and for the year ended December 31, 2009, and have issued our report thereon dated January 20, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The County has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified.

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 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, items 2009-1 through 2009-6, to be material weaknesses.

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the primary government's financial statements are free of 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*.

The County's responses to the findings identified in our audit are described in the accompanying corrective action plans. We did not audit the County's responses and, accordingly, we express no opinion on them.

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

RubinBrown LLP

January 20, 2011

**Independent Auditors' Report On Compliance
With Requirements Applicable To Each Major Program
And On Internal Control Over Compliance In Accordance
With OMB Circular A-133 And On The Schedule Of
Expenditures Of Federal Awards**

County Board of Commissioners
Douglas County, Kansas

Compliance

We have audited the compliance of Douglas County, Kansas (the County) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2009. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, the County complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended December 31, 2009.

Internal Control Over Compliance

Management of the County is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of 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.

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 significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

Schedule Of Expenditures Of Federal Awards

We have audited the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the County as of and for the year ended December 31, 2009, and have issued our report thereon dated January 20, 2011. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

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

RubinBrown LLP

January 20, 2011

DOUGLAS COUNTY, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For The Year Ended December 31, 2009

<u>Program</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
Douglas County, Kansas:		
U.S. Department Of Justice		
Kansas Governor's Office		
Edward Byrne Memorial Justice Assistance Grant Program	16.738	\$ 600
U.S. Department Of Transportation		
Kansas Department of Transportation		
Interagency Hazardous Materials Public Sector Training and Planning	20.703	20,000
U.S. Department of Health and Human Services		
Kansas Juvenile Justice Authority		
Juvenile Grant	93.586	10,287
U.S. Department Of Homeland Security		
Kansas Adjutant General		
Emergency Management Performance Grants	97.042	95,986
Emergency Management	97.053	4,757
Emergency Management	97.xxx	5,060
Total U.S. Department Of Homeland Security		105,803
Lawrence-Douglas County Health Department:		
U.S. Department of Agriculture		
Kansas Department of Health and Environment		
Supplemental Food Program for Women, Infants and Children (WIC)	10.557	275,036
U.S. Department Of Health And Human Services		
Kansas Department of Health and Environment		
Family Planning, Title X	93.217	173,840
Child Care Licensing	93.575	73,840
Maternal and Child Health	93.994	28,815
Immunization Action Plan	93.268	22,509
Public Health Emergency Preparedness	93.069	267,396
Chronic Disease Risk Reduction/Enhancement	93.283	16,412
Teen Pregnancy Case Management	93.778	38,778
Migrant Worker Income	93.224	257
HIV Counseling and Testing Site Program	93.118	4,691
Sexually Transmitted Disease Control programs	93.977	2,200
Medical Reserve Corps Small Grant Program	93.008	1,090
Refugee Health Assessments	93.xxx	2,800
Total U.S. Department Of Health And Human Services		632,628
		\$ 1,044,354

DOUGLAS COUNTY, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2009

1. Organization

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of Douglas County, Kansas (the County) and its discretely presented component unit, Lawrence-Douglas County Health Department (the Health Department), for the year ended December 31, 2009. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the schedule.

2. Basis Of Presentation

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

DOUGLAS COUNTY, KANSAS

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
December 31, 2009**

Section I - Summary Of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? yes no
- Control deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Control deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

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

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? yes no

Identification of major programs:

CFDA Number	Name Of Federal Program Or Cluster
10.557	Women, Infants, and Children
93.069	Public Health Emergency Preparedness

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

Auditee qualified as low-risk auditee? yes no

DOUGLAS COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*) December 31, 2009

Section II - Financial Statement Findings

Finding 2009-1

Condition: The County does not have the internal resources available to prepare or apply controls over the preparation of financial statements in accordance with generally accepted accounting principles (GAAP). The County should also review the provisions of applicable governmental accounting standards (GASBs) and adopt relevant accounting standards, where appropriate.

Cause: The individuals in administrative roles throughout the majority of the fiscal year who are responsible for the preparation of the year-end financial statements do not have an adequate understanding of GAAP, including required financial reporting disclosures. Those individuals also lacked the ability to generate or apply controls over a set of basic financial statements in accordance with GAAP. Due to the resources available to the County, management has made the decision to focus the efforts of the accounting staff on day-to-day operations and on the accuracy of the internal accounting records rather than on the ability to prepare external-use financial statements.

Recommendation: We recommend that the County continue to consult with us regarding the application of GAAP, the initial implementation of complex accounting transactions and new accounting standards, as well as formalize the financial preparation and review. We also recommend that the County evaluate whether or not resources can be made available for additional training to develop the needed competencies over time or to find another individual qualified to handle these responsibilities.

Corrective Action Plan: The County will assess its ability to devote resources to provide ongoing training for the accounting staff to develop these competencies over time. In the meantime, the County will continue to rely on the audit firm to provide assistance within these areas. The County will also take these needs into consideration when filling open management positions within the County's operating structure.

Completion Date: Ongoing

Contact Person and Title: Sarah Plinsky, Assistant County Administrator

DOUGLAS COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*) December 31, 2009

Finding 2009-2

Condition: The County's formal period-end or year-end closing and reconciling procedures that are currently in use are not producing accurate and complete financial information in the general ledger for proper reporting. During our audit fieldwork, numerous audit adjustments were required to be made to the financial statements as result of proper close procedures not being in place and were a direct result of our audit procedures and were proposed by us.

Cause: For certain accounts, specifically cash, capital assets, accounts receivable, deferred revenues, certain accrued liabilities and accrued compensation, our audit procedures revealed that there are no controls in place or a systematic method does not exist (or the method in place is not adhered to) to ensure that timely and complete monthly or year-end reconciliation/cut-off procedures take place.

Recommendation: We recommend that controls and systems be put in place or those that are in place be adhered to and reviewed for accuracy and compliance, which would allow for proper and timely closing and reconciling procedures to be performed. We also recommend that the County evaluate whether or not resources can be made available for additional training to develop the needed competencies over time or to find another individual qualified to handle these responsibilities.

Corrective Action Plan: The County will review the controls, policies and procedures currently in place and assess the cost/benefit of proposed improvements. The County will also need to assess its ability to devote the resources needed to improve the current system and to provide ongoing training for the accounting staff to develop these competencies over time. The County will also ensure that these capabilities are included as new financial systems are evaluated.

Completion Date: December 31, 2011

Contact Person and Title: Sarah Plinsky, Assistant County Administrator

Finding 2009-3

Condition: Capital asset records are not properly maintained and reconciled to supporting data in a timely manner. During our audit fieldwork, numerous audit adjustments, including prior period restatements, were made to the financial statements related to capital assets. These adjustments were a direct result of our audit procedures and were proposed by us.

Cause: During our audit procedures it was determined that there are no formal polices and procedures in place or those that are in place are not actively followed to track capital asset additions, disposals, the lives assigned to capital assets or to calculate depreciation expense and therefore significant adjustments were needed in the current year.

DOUGLAS COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*) December 31, 2009

Recommendation: We recommend the County devote the required resources to incorporate all capital asset records into a single capital asset software system to simplify the year-end reporting, enable capital assets to be recorded as obtained or disposed of and calculate and update depreciation schedules using the properly assigned lives. The County is too large and decentralized to attempt to update capital asset records at the close of each fiscal year, as it is unable to be done timely, efficiently, or effectively. Performance of a physical inventory of all capital assets on a regular basis would ensure that only active, in-service capital assets are included in the County's accounting records. In addition, the County needs to develop and adhere to improved policies and procedures to record or dispose of capital assets, identify lives of capital assets, identify and respond to issues and reconcile to original records on a timely basis.

Corrective Action Plan: We concur with this finding. The County acknowledges that maintaining appropriate capital asset records is a requirement that must be addressed. The County will consider this to be a necessary module when purchasing a new financial system in the near future.

Completion Date: December 31, 2011

Contact Person and Title: Sarah Plinsky, Assistant County Administrator

Finding 2009-4

Condition: Custody over various cash accounts is not maintained by a central department or group of management, such as the Treasurer's Office. In addition, proper controls over deposited funds, cash disbursements and the year-end close and reconciliation processes for cash are not properly segregated or not properly designed. During our audit fieldwork, numerous audit adjustments were made to the financial statements related to cash. These adjustments were a direct result of our audit procedures and were proposed by us.

Cause: During our audit fieldwork, numerous audit adjustments were made to the financial statements to back out cash receipts for certain revenues improperly recorded to cash as of year end. These sources were received after year end and should not have been posted to cash as of December 31, 2009. Instead these revenue sources should have been included as receivables at year-end. It was also noted that many cash accounts were not maintained by a centralized department, such as the Treasurer's Office. The County does not have an individual or department that is knowledgeable about the number, type and balances of all cash accounts that are maintained and reported by various County departments. We were required to make adjustments to several accounts this year, some of which were to record accounts on the ledgers that were previously maintained outside the general ledger system.

Recommendation: We recommend the County devote the required resources to appoint someone to oversee all cash accounts that are opened using the County's federal tax ID. In addition, the County needs to develop and adhere to improved controls and policies over cash procedures such as: deposits of cash receipts in all offices, the reconciliation and year end cut off procedures, the write offs of long-term outstanding checks, vendor approval and maintenance processes, and the printing/signing of checks.

DOUGLAS COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*) December 31, 2009

Corrective Action Plan: The County acknowledges that effective segregation of duties for cash is necessary and this will be addressed as part of a new financial system. While still using the current system, the processes and controls will be reviewed by management and additional segregation will be implemented where the cost does not out way the benefit.

Completion Date: December 31, 2011

Contact Person and Title: Sarah Plinsky, Assistant County Administrator

Finding 2009-5

Condition: There is a lack of segregation of duties and or controls missing over the policies and procedures related to self insurance accruals, wage accruals, other post employment benefits liability and the expenditures relating to each. During our audit fieldwork, adjustments were necessary to the financial statements to properly reflect a claims liability for self insured health and workers' compensation benefits, other post employment benefits and accrued wages. These adjustments were a direct result of our audit procedures and were proposed by us.

Cause: It was noted that payroll for the last pay period of the year was applied to cash at year end instead of being accrued for as a liability at year end. It was also noted that the County was not properly accounting for their self insurance activity in the fund general ledgers and not properly accruing for the claims liabilities related to being self-insured. Other post employment benefit information needed to make the year end accrual and financial statement disclosures are obtained from an actuary, but there are no controls in place to ensure a liability is properly recorded and the appropriate disclosures are made.

Recommendation: We recommend that the County improve, or put controls in place over activities and processes related to other post employment benefits, periodic payroll register review, documentation of time sheet approvals, reporting vacation and sick time liabilities and a formal review of the worker's compensation and health claims activity in order to determine the reasonableness of expenses and to accrue a year end liability. We also recommend that proper records be maintained for self-insurance accounting and that these activities be properly accounted for in the general ledgers of the County.

Corrective Action Plan: The processes and controls will be reviewed by management and additional segregation will be implemented where the cost does not out way the benefit.

Completion Date: December 31, 2011

Contact Person and Title: Sarah Plinsky, Assistant County Administrator

DOUGLAS COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*) December 31, 2009

Finding 2009-6

Condition: The County was not able to provide a comprehensive listing of federal expenditures for the County as a whole. A listing was provided for the Lawrence-Douglas County Health Department, but a comprehensive listing including all programs for the County was not provided and was not easy to identify and compile during fieldwork.

Cause: During planning for the County and the Lawrence-Douglas County Health Department A-133 work, it was determined that the County does not have a system in place to centrally track all federal funding related to the County. There is a system in place at the Lawrence-Douglas County Health Department to track and monitor their grants. However, there is not a County-wide system in place to pull all federal programs together into one comprehensive listing. The County does not have an individual or a department with the knowledge to administer and track the spending for each federal program. In addition, there is not an individual or department with a working knowledge of general grant compliance and the requirements of Circular A-133.

Recommendation: We recommend that all federal grants be tracked centrally and that the County devote the required resources to appoint someone to oversee expenditures of and compliance for various grant programs.

Corrective Action Plan: We concur with this finding. The County acknowledges that centrally tracking federal grant activity will provide for the proper tracking of programs and improve compliance with federal requirements. The County will consider this to be an important feature to request in the acquisition of a new financial system. In the meantime, the County will stress the importance of this accounting to staff.

Completion Date: December 31, 2011

Contact Person and Title: Sarah Plinsky, Assistant County Administrator

DOUGLAS COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)
December 31, 2009

Section III - Federal Award Findings And Questioned Costs

None

DOUGLAS COUNTY, KANSAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2009

Finding No: 2008-1

Agency and

Federal Program: US Department of Agriculture
Women, Infants, and Children (WIC)

CFDA No: 10.557

Criteria: WIC applicants must present proof of identity and residency at certification.

Condition: Proof of residency and identification could not be located for one applicant.

Questioned Cost: Not determined.

Effect: Support for proof of residency and identification could not be tested.

Recommendation: All WIC applicants must be required to provide proof of identity and residency. We also recommend that records be retained.

Corrective Action Plan: Responsible officials agree and will implement recommendations.

Status: Health Department still does not retain proof of identity and residency, as this is not required by the State or the federal program. This finding is not repeated as no issues were noted in the current year testing and retention of proof not required.

Finding: 2008-2

Agency and

Federal Program: US Department of Agriculture
Women, Infants, and Children (WIC)

CFDA No: 10.557

Criteria: A professional authority must determine that the WIC applicant is at nutritional risk. A family member must be pregnant, postpartum, a breast feeding woman, an infant, or a child up to the age of five.

Condition: Information for one applicant was missing regarding the individual nutritional risk or status as pregnant, postpartum, a breast feeding woman, an infant, or a child up to the age of five.

DOUGLAS COUNTY, KANSAS

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

December 31, 2009

Questioned Cost: Not determined.

Effect: Support for nutritional risk and status as an eligible family member could not be tested.

Recommendation: All WIC applicants must be determined to be a nutritional risk and be either pregnant, postpartum, a breast feeding woman, an infant, or a child up to the age of five.

Corrective Action Plan: Responsible officials agree and will implement recommendations.

Status: Corrected