

DOUGLAS COUNTY, KANSAS

SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2015

WITH

INDEPENDENT AUDITOR'S REPORT



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TABLE OF CONTENTS

	<u>Page</u>
A copy of the Douglas County, Kansas, financial statements for the year ended December 31, 2015, accompanies this report. The independent auditor's report and the financial statements are hereby incorporated by reference.	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	1 - 2
Independent Auditor's Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance	3 - 5
Schedule of Findings and Questioned Costs	6 - 10
Schedule of Expenditures of Federal Awards	11
Notes to Schedule of Expenditures of Federal Awards	12

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

Board of County Commissioners
Douglas County, Kansas

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 fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Douglas County, Kansas and the related municipal entities of the Douglas County Extension Council, the Lawrence-Douglas County Health Department, and the Douglas County Free Fair (collectively "the County") as of and for the year ended December 31, 2015, and the related notes to the financial statement, and have issued our report thereon dated August 16, 2016. The County prepared the regulatory basis financial statement to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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 opinion 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002, 2015-003, 2015-004 and 2015-005 that we consider to be significant deficiencies.

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*.

The County's Responses 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 statement 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 entity's internal control or on compliance. The 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.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

August 16, 2016
Wichita, Kansas

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE;
AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY
THE UNIFORM GUIDANCE

Board of County Commissioners
Douglas County, Kansas

Report on Compliance for Each Major Federal Program

We have audited the compliance of Douglas County, Kansas, and the related municipal entities of the Douglas County Extension Council, the Lawrence-Douglas County Health Department, and the Douglas County Free Fair (collectively, "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, 2015. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for 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 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). Those standards and 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, Douglas 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, 2015.

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 2015-006. 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 the response.

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 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 identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-006, 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 the response.

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.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Douglas County, Kansas, and the related municipal entities of the Douglas County Extension Council, the Lawrence-Douglas County Health Department, and the Douglas County Free Fair (collectively "the County") as of and for the year ended December 31, 2015, and the related notes to the financial statement, which collectively comprise the County's regulatory basis financial statement. We have issued our report thereon dated August 16, 2016, which contained an unmodified opinion on the financial statement. We have not performed any procedures with respect to the audited financial statements subsequent to August 16, 2016. The County prepared this regulatory basis financial statement to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Our audit was conducted for the purpose of forming an opinion on the financial statement as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statement. 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 statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statement as a whole.

Allen, Gibbs & Houlik, L.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

September 23, 2016
Wichita, Kansas

DOUGLAS COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2015

SECTION I – SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

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

Adverse

Type of auditor's report issued on the basis of accounting used by the County:

Unmodified –
Regulatory Basis

Internal control over financial reporting:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported
- Noncompliance material to financial statements noted? Yes No

FEDERAL AWARDS

Internal control over major federal programs:

- Material weaknesses identified? Yes No
- Significant deficiencies identified? Yes None reported

Type of auditor's report issued on compliance for major federal programs:

See below

Any audit findings disclosed that are required to be reported in accordance with section 2 CFR 200.516(a)?

Yes No

Identification of major federal programs:

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM</u>	<u>TYPE OF AUDITOR'S REPORT</u>
10.557	Special Supplemental Nutrition Program for Women, Infant and Children (WIC)	Unmodified
93.217	Family Planning	Unmodified
93.331	Partnerships to Improve Community Health	Unmodified

DOUGLAS COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS (Continued)

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

Auditee qualified as low-risk auditee? Yes X No

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2015-001 Douglas County Segregation of Duties (Significant Deficiency):

Condition: There is a lack of adequate segregation of duties in the payroll function and in the posting of journal entries.

Cause: The payroll clerk has access to add employees, modify master file information, process payroll and post to the general ledger. The clerk also has access to blank checks and the signature stamp software. Additionally, there is no reconciliation currently performed between the data in the payroll system and what is posted to the general ledger.

Journal entries can be created and posted to the general ledger by the same person. The new ERP system implemented in 2015 also allows for the same person to enter and approve journal entries.

Effect: A lack of controls and procedures could result in a misstatement to the financial statements.

Recommendation: We recommend that human resources set up and maintain employee master records and implement an authorization or approval process for changes made to the payroll system through review of the audit tables. There should be a separation of the entry and approval / posting functions within the new ERP system to ensure that undetected manipulation of data on the system does not occur.

Management’s Response (unaudited): While the Finance modules of ONESolution went live on June 1, 2015, the Human Resources/Payroll (HRPY) module of our ERP software, ONESolution, went live on April 1, 2016. The concerns listed by the auditor for 2015 were considered as Douglas County configured the new ERP. Reconciliation to the GL, segregation of duties, and workflow for employee master records are all areas that staff is focused on while implementing and working in the new software. Douglas County welcomes the opportunity to review the configuration for HRPY with the auditor before the end of 2016. Regarding journal entries, management agrees with this concern and is working to reconfigure the security and workflow for journal entries: entry, approval and posting functions.

Finding 2015-002 Lawrence-Douglas County Health Department Segregation of Duties (Significant Deficiency):

Condition: There is a lack of adequate segregation of duties and / or controls missing over the accounting processes.

DOUGLAS COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Cause: The Director of Administrative Services has access to all functions in CYMA and the Financial Specialist has access to most areas of CYMA. The Financial Specialist processes accounts payable and payroll, with complete access to master files, which would allow for changes in employee and vendor information. The Director of Administrative Services and the Financial Specialist can also post journal entries. These individuals also have access to enter cash receipts and adjust accounts receivable balances.

Effect: A lack of controls and procedures could result in a misstatement to the financial statements.

Recommendation: We have previously discussed with management of the Health Department various options for improving controls in a small environment with a limited number of staff, and recommend they continue to evaluate the feasibility of those options.

Management's Response (unaudited): See the attached document for the response received from the Lawrence-Douglas County Health Department.

Finding 2015-003 Lawrence-Douglas County Health Department Bank Reconciliations (Significant Deficiency):

Condition: During testing of the year-end bank reconciliations, we noted that two accounts had variances. Most of the variances were explained and pertained to a) an adjustment made in 2013 that was posted incorrectly within the bank reconciliation module, and b) checks written on one bank account that were posted in the general ledger to a different account. After consideration of these corrections, the main operating bank account had an unexplained variance of \$1,070.

Cause: There is a bank reconciliation module within the system that is being utilized; however, if entries are made to the general ledger that are not within that module, there can be variances. The "book" balance within the bank reconciliation module is not always checked against the general ledger balance.

Effect: A lack of controls and procedures could result in a misstatement to the financial statements.

Recommendation: We recommend that a secondary review be completed monthly of the bank reconciliations, including comparison of the book balance to the general ledger, to ensure accounts are properly reconciled.

Management's Response (unaudited): See the attached document for the response received from the Lawrence-Douglas County Health Department.

Finding 2015-004 Purchase Orders (Significant Deficiency):

Condition: Purchase orders under \$7,500 can be created and approved by the same person.

Cause: The new ERP system implemented in 2015 allows for the same person to both enter and approve the purchase orders they have entered, though all purchase orders over \$7,500 require an additional approval from at least the department making the purchase.

DOUGLAS COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Additionally, while the new system has a function that appears to allow for tracking and reporting of purchase orders that are encumbered as of year-end, such amounts were not integrated and reported as expenditures within the general ledger as of December 31.

Effect: A lack of controls and procedures could result in a misstatement to the financial statements.

Recommendation: There should be a separation between the entry function and the approval function to ensure that no fraudulent purchase orders are entered. We also recommend the County explore encumbrances that are currently being tracked can be integrated and reported as expenditures within the new system to allow for proper reporting of encumbrances under the statutory budget laws.

Management's Response (unaudited): It is important to note that some departments are small enough that the department head does enter and approve the Purchase Orders. However, no vendors can be added without the approval of Accounts Payable. Also, when the invoice is presented for payment Accounts Payable reviews every invoice regardless of the dollar amount.

Concerning the comment about year-end encumbrance data, Management understands that the Detail Trial Balance report should be reworked to include data on encumbrances. The information for POs/encumbrances is kept in ONESolution and can be included in a report.

Finding 2015-005 Tax System (Significant Deficiency):

Condition: There is a lack of segregation of duties in the tax system.

Cause: During testing of access controls in Manatron, we noted that there is an "Administrator" function that allows users assigned to this role to have complete access to the system and there are multiple individuals who have been assigned this role.

Effect: A lack of controls and procedures could result in a misstatement to the financial statements.

Recommendation: We recommend that management limit the "administrator" role to only those individuals deemed necessary.

Management's Response (unaudited): Nine people have Administrator Status in GRM; four in IT, four in the Treasurer's Office, and one in the Clerk's Office. Each person has a unique username and GRM logs any changes to the database by user. Administrator access is required to adjust Homestead payments, Distributions, and Commission orders. If the adjustments are made to the tax roll at a lower level than Administrator, GRM doesn't finalize them, leaving the tax roll out of balance and preventing it from moving forward. Security within GRM is extremely complex and on occasion, support issues have been resolved with changes to the security settings. The Turnaround time for resolving support issues through Thomson Reuters is improving, but still requires a substantial time delay.

DOUGLAS COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2015

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2015-006 (Significant Deficiency):

CFDA No. 93.331; Partnerships to Improve Community Health
Grant Award No. 6NU58DP005667-01-04 and 6NU58DP005667-02-02
U.S. Department of Health and Human Services

Condition: The Lawrence-Douglas County Health Department could not provide evidence that required suspension and debarment verification checks had been performed.

Criteria: Regulations contained in 2 CFR 180 restrict the Health Department from contracting with certain parties that are suspended or debarred, or whose principals are suspended or debarred. For covered transactions, the Health Department must verify a vendor is not suspended or debarred. This verification check can be performed by checking the SAM (System for Award Management) websites, collecting a certification from the vendor, or adding a clause or condition to the covered transaction with the vendor that is expected to equal or exceed \$25,000.

Questioned Costs: None were noted. A subsequent verification check was performed on the SAM website, noting that the vendors were not suspended or debarred.

Context: There were two contracts noted in the approved Notice of Grant Award that would be over the \$25,000 threshold. One of the two was selected for testing. The Health Department asserted that SAM was checked prior to entering into a contract with the vendor; however, this documentation was not retained.

Cause: Internal procedures for maintaining required documentation were not followed.

Effect: The Health Department could enter into a contract or vendor relationship with a suspended or debarred party that could result in questioned costs.

Recommendations: The Health Department should implement controls that would include checking the SAM for all contracts over \$25,000 funded with federal awards, or by collecting a certification from the entity, or adding a clause or condition to the covered transaction with that entity prior to entering into a contract.

Management's Response (unaudited): In response to this finding, the Health Department will ensure that a printout is kept in the physical grant file showing the search on the SAM website(s) has been performed for vendors paid from federal funds.

DOUGLAS COUNTY, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2015

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Grant Expenditures
U.S. Department of Agriculture:			
Farmer's Market and Local Food Promotion Program	10.168	15FMPPK0053	\$ 26,295
Passed through Kansas Department of Health and Environment:			
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	10.557	264736G / 264310H/ 264280H/264283H	312,064
<i>Total U.S. Department of Agriculture</i>			<u>338,359</u>
U.S. Department of the Interior:			
Fish and Wildlife Management Assistance	15.608	F14AC00634	<u>19,656</u>
U.S. Department of Justice:			
Justice Assistance Grant	16.738	2015-DJ-BX-0611	19,995
Passed through Kansas Office of the Governor:			
Victims of Crime Act	16.575	15-VOCA-10	36,802
Violence Against Women Formula Grants	16.588	15-VAWA-03	48,241
Justice and Mental Health Collaboration Program	16.745	2015-MO-BX-0012	6,858
<i>Total U.S. Department of Justice</i>			<u>111,896</u>
U.S. Department of Transportation:			
Passed through Kansas Department of Transportation:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	SP-1300-15	16,470
Passed through Kansas Adjutant General:			
Hazardous Materials Emergency Preparedness	20.703	FFY 2014-2015	110,000
<i>Total U.S. Department of Transportation</i>			<u>126,470</u>
U.S. Department of Health and Human Services:			
Partnerships to Improve Community Health	93.331	6NU58DP005667-01-04 / 6NU58DP005667-02-02	444,301
Passed through National Association of County and City Health Officials:			
Medical Reserve Corps Small Grant Program - SFY14	93.008	not available	229
Medical Reserve Corps Small Grant Program - SFY15	93.008	not available	590
Passed through Kansas Department of Health and Environment:			
Public Health Emergency Preparedness - SFY15	93.069	264678R	67,968
Public Health Emergency Preparedness - SFY16	93.069	264678T, 264EBOLA_PR	12,624
Tuberculosis	93.116	264461H	190
Family Planning-2016	93.217	264FP16	193,632
Immunization Action Plan-2016	93.268	264315H3OP	24,799
Kansas Tobacco Control Program- CDRR	93.305	264435G	37,023
Refugee and Entrant Assistance - State Administered - 2015	93.566	264623K	2,957
Child Care and Development Fund Cluster:			
Child Care Licensing - 2016	93.575	2643450E	70,934
Supplemental Diabetes - CDRR - 2016	93.757	264472N, 264441M	35,920
Preventive Health - CDRR- 2016	93.758	264277G	59,298
Medicaid Cluster:			
Teen Pregnancy Targeted Case Mgt Grant - 2016	93.778	2642043	36,096
HIV Prevention - 2015	93.940	264840F	39,344
HIV Prevention - 2016	93.940	264840F	22,333
Non PPHF Diabetes - 2015	93.945	264441J/264472J	9,416
Chronic Disease Risk Reduction - 2015	93.991	264277G	34,526
Maternal & Child Health - Block Grant - 2016	93.994	264329H	71,265
Passed through the Unified Government of Wyandotte County:			
Public Health Emergency Preparedness - 2015	93.069	264678N/264678P	4,108
<i>Total U.S. Department of Health and Human Services</i>			<u>1,167,553</u>
U.S. Department of Homeland Security			
Passed through Kansas Adjutant General:			
Emergency Management Performance Grants	97.042	2015 EMPG	90,124
Citizens - Community Resilience Innovation Challenge	97.053	not available	5,850
<i>Total U.S. Department of Homeland Security</i>			<u>95,974</u>
Total Federal Awards Expenditures			<u>\$ 1,859,908</u>

See accompanying Notes to Schedule of
Expenditures of Federal Awards

DOUGLAS COUNTY, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2015

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Douglas County, Kansas and the Lawrence-Douglas County Health Department. 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). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.

Note 2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on a regulatory basis of accounting. This basis is designed to meet the requirements of the State of Kansas, and follows the provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments*, or the cost principles contained in the Uniform Guidance wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Douglas County, Kansas and the Lawrence-Douglas County Health Department have not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. Amounts Passed Through to Subrecipients.

The Schedule does not include any expenditures for amounts passed through to subrecipients during the year ended December 31, 2015.

Allen, Gibbs & Houlik, LC

August 16, 2016

RE: 2015 Audit Response

In response to the audit findings of 2015 we write to inform you of the following changes.

September 1, 2015

The Director and Director of Administrative Services (DAS) access to all functions in CYMA was limited.

January 1, 2016

We have worked with the auditors to ensure sufficient segregation of duties is in place for the accounts payable/purchasing, payroll and bank reconciliation review to ensure that future errors/findings are mitigated. These changes in workflow processes were presented to and approved by the auditors in late 2015. Change to CYMA access include:

- Director – System Administrator (policy is that Director logs on only with Director of Administrative Services present) For reporting and purchase order approval Director logs on with a second distinct ID with data entry rights to purchasing module only.
- Director of Administrative Services – Limited access to modules. Restrictions to access include; no approval of purchases, no adjustments to personnel
- Purchases are initiated only by three office staff who have no other access privileges in CYMA.

In response to the bank reconciliation and general ledger unexplained variance, we have been able to determine that all funds are accounted for and the variance is within the general ledger. An adjustment will be made to clear the variance from the general ledger balance for the period ending 12/31/15. With approval from the auditors, a secondary review of the bank reconciliations will be performed by the Director which involves comparing the ending book balance to the general ledger balance to ensure accounts are properly reconciled

Points of clarification

CYMA automatically creates an audit trail of all activity.

The Financial Specialist has never had:

- access to the bank reconciliation module within CYMA,



- ability to create after the fact journal entries within the General Ledger module
- ability to adjust personnel rates of pay



Lawrence-Douglas County
Health Department

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