



BERBERICH TRAHAN & CO., P.A.
Certified Public Accountants

DOUGLAS COUNTY, KANSAS

SINGLE AUDIT REPORT
YEAR ENDED DECEMBER 31, 2018

DOUGLAS COUNTY, KANSAS

SINGLE AUDIT REPORT

Year Ended December 31, 2018

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INDEPENDENT AUDITORS' REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

The County Commissioners
Douglas County, Kansas:

Report on Schedule of Expenditures of Federal Awards

We have audited the accompanying schedule of expenditures of federal awards of Douglas County, Kansas, and the related municipal entity of Lawrence/Douglas County Health Department (collectively, "the County") for the year ended December 31, 2018, and the related notes (the financial statement).

Management's Responsibility

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit 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 the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

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An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards of the County for the year ended December 31, 2018, in accordance with the regulatory basis of accounting.

Basis of Accounting

We draw attention to Note 2 of the financial statement, which describes the basis of accounting. The financial statement is prepared on the regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Berberich Trahan & Co., P.A.

September 24, 2019
Topeka, Kansas



INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE

The County Commissioners
Douglas County, Kansas:

Report on Compliance for Each Major Federal Program

We have audited Douglas County, Kansas, and the related municipal entity of the Lawrence/Douglas County Health Department's (collectively, "the County") compliance 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, 2018. The County's major federal programs are identified in the summary of auditors' 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.

Auditors' Responsibility

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

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

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Opinion on Each Major Federal Program

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

Report on Internal Control Over Compliance

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

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

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

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.

Berberich Trahan & Co., P.A.

September 24, 2019
Topeka, Kansas

DOUGLAS COUNTY, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Expenditures
U.S. Department of Agriculture:			
Passed through Kansas Department of Health and Environment:			
Special Supplemental Nutrition Program for Women, Infants and Children (WIC)	10.557	264736D/264736E/264280D/264280E	\$ 404,764
U.S. Department of the Interior:			
Fish and Wildlife Management Assistance	15.608	2018-41	18,984
Passed through Kansas Historical Society:			
Historic Preservation Grant	15.904	-	8,406
Historic Preservation Grant	15.904	-	5,514
Historic Preservation Grant	15.904	-	3,906
Passed through Freedom's Frontier National Heritage Area:			
Freedom's Frontier National Heritage Area Interpretive Grant	15.939	-	1,477
Total U.S. Department of the Interior			38,287
U.S. Department of Justice:			
Justice Assistant Grant	16.738	2016-DJ-BX-0462	8,146
Equitable Sharing Program	16.922	KS0230000	30,000
Passed through Kansas Office of the Governor:			
Victims of Crime Act	16.575	18-VOCA-11	40,048
Violence Against Women Formula Grants	16.588	18-VAWA-02	38,435
Total U.S. Department of Justice			\$ 116,629

(Continued)

DOUGLAS COUNTY, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Year Ended December 31, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Grant Number	Expenditures
U.S. Department of Transportation:			
Passed through Kansas Department of Transportation:			
Highway Safety Cluster:			
State and Community Highway Safety	20.600	SP-1300-17	\$ 2,202
Highway Safety Cluster Subtotal			<u>2,202</u>
Passed through Kansas Adjutant General:			
Hazardous Materials Emergency Preparedness	20.703	GEMHMEP	<u>115,000</u>
Total U.S. Department of Transportation			<u>117,202</u>
U.S. Department of Health and Human Services:			
Passed through Kansas Department of Health and Environment:			
Public Health Emergency Preparedness	93.069	264678W	43,753
Public Health Emergency Preparedness	93.069	264678X	23,764
Family Planning	93.217	264FP13	188,837
Chronic Disease Risk Reduction	93.305	264435K	10,000
Child Care and Development Fund Cluster:			
Child Care Licensing	93.575	2643450H	74,766
Chronic Disease Risk Reduction	93.758	264277K	22,500
Medicaid Cluster:			
Teen Pregnancy Targeted Case Mgmt Grant	93.778	2642043	34,291
Maternal & Child Health - Block Grant	93.994	264329M	71,265
Passed through Kansas Department for Children and Families:			
Temporary Assistance for Needy Families	93.558	CSS-2017-FI-03-G	<u>185,900</u>
Total U.S. Department of Health and Human Services			<u>655,076</u>
U.S. Department of Homeland Security:			
Passed through Kansas Adjutant General:			
Emergency Management Performance Grants	97.042	EMK-2018-EP-00005	<u>93,038</u>
Total federal awards expenditures			<u>\$ 1,424,996</u>

See accompanying notes to schedule of expenditures of federal awards.

DOUGLAS COUNTY, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2019

1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Douglas County, Kansas and the Lawrence/Douglas County Health Department (collectively, "the County") under programs of the federal government for the year ended December 31, 2018. 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. 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 of the County.

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. The expenditures on the Schedule are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

The County has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

DOUGLAS COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2018

Section I - Summary of Independent Auditors' Results

Financial Statement

Type of report issued on whether the financial statement audited was prepared in accordance with GAAP:	Adverse
Type of auditors' report issued on the basis of accounting used by the County and Health Department:	Unmodified – Regulatory Basis
Internal control over financial reporting:	
Material weaknesses identified:	None
Significant deficiencies identified that are not considered to be material weaknesses:	2018-001 and 2018-002
Noncompliance material to the financial statement noted:	None

Federal Awards

Types of auditors' report issued on compliance for major programs:	Unmodified
Internal control over major programs:	
Material weaknesses identified:	None
Significant deficiencies identified that are not considered to be material weaknesses:	None
Any audit findings that are required to be reported in accordance with Section 2 CFR 200.516(a):	None

DOUGLAS COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section I - Summary of Independent Auditors' Results (Continued)

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.557	Special Supplemental Nutrition Program for Women, Infants and Children (WIC)
93.217	Family Planning
Dollar threshold used to distinguish between Type A and Type B programs:	\$ 750,000
Auditee qualified as low-risk auditee:	No

Section II – Financial Statement Findings

Finding 2018-001 – Significant Deficiency

Prior Reference Number – 2017-001

Condition - There is a lack of adequate segregation of duties in the payroll function.

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.

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

Recommendation - Beginning in July 2018, the County implemented an internal control to address this significant deficiency. The new internal control consists of an individual outside of the payroll department reviewing audit tables and any changes made by payroll personnel against supporting documentation quarterly. With the addition of this internal control, the significant deficiency was addressed beginning July 2018.

DOUGLAS COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings (Continued)

Finding 2018-001 – Significant Deficiency (Continued)

Management's Response/Corrective Action Plan (Unaudited) - Human Resources/Payroll (HRPY) module of our ERP software, ONESolution, went live on April 1, 2016. Now Payroll and the General Ledger are both subsystems/modules of the same ERP system. The Treasurer's office balances the Payroll and GL subsystems after each payroll cycle. In addition, the Treasurer's office continues to do daily balancing of all transactions that impact the General Ledger and bank accounts.

Also, unlike the legacy system, HR employees and Department Heads have access to Payroll in ONESolution. They can see the payroll master records for the employees.

We have separated the HR and Payroll duties in more than one area. First, employee master records are changed by information entered from the departments, approved by HR and then Payroll via a workflow embedded in ONESolution. Second, the County Clerk's office (Payroll) now uses two employees to complete the payroll cycle. They have separate duties to serve as double checks for every payroll run.

In 2018, a new procedure was developed to audit employee master and employee pay records for changes that are made outside of the standard workflow process. Administrative Services staff reviews all changes made within specified timeframes to ensure any changes made relate to an intended change from an electronic PAF form or there is related correspondence. The audit trail function was turned on in July of 2018 and all transactions in 2018 were reviewed on or after that date.

Finding 2018-002 Significant Deficiency

Prior Reference Number – 2017-002

Condition - Purchase orders under \$20,000 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, primarily in those departments that are small, though all purchase orders over \$20,000 require an additional approval from at least the department making the purchase.

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

DOUGLAS COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings (Continued)

Finding 2018-002 Significant Deficiency (Continued)

Recommendation - There should be a separation between the entry function and the approval function to ensure that no fraudulent purchase orders are entered. Accounts payable is responsible for reviewing and approving setup of all new vendors in the system.

Management's Response/Corrective Action Plan (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.

Section III – Federal Award Findings and Questioned Costs

None.