



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

DOUGLAS COUNTY, KANSAS

SINGLE AUDIT REPORT
YEAR ENDED DECEMBER 31, 2016

DOUGLAS COUNTY, KANSAS

SINGLE AUDIT REPORT

Year Ended December 31, 2016

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INDEPENDENT AUDITOR’S 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, 2016, 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; this includes 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.

Auditor’s 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 auditor's 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, 2016, 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 statements are 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 27, 2017
Topeka, Kansas



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

**INDEPENDENT AUDITOR'S 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, 2016. 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 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.

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2016.

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 Finding 2016-004. Our opinion on each major federal program is not modified with respect to this matter.

The County's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on 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 the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is 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 described in the accompanying schedule of findings and questioned costs as Finding 2016-004 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.

Berberich Trahan & Co., P.A.

September 27, 2017
Topeka, Kansas

DOUGLAS COUNTY, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2016

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Grant Number | Expenditures |
|--|---------------------|-----------------|-------------------|
| U.S. Department of Agriculture: | | | |
| Farmer's Market and Local Food Promotion Program | 10.168 | 15FMPPKS0053 | \$ 27,355 |
| Passed through Kansas Department of Health and Environment: | | | |
| Special Supplemental Nutrition Program for Women, Infants and Children (WIC) | 10.557 | - | 362,313 |
| Total U.S. Department of Agriculture | | | <u>389,668</u> |
| U.S. Department of the Interior: | | | |
| Passed through Kansas Historical Society: | | | |
| Historic Preservation Grant | 15.904 | - | 7,400 |
| U.S. Department of Justice: | | | |
| Justice Assistance Grant | 16.738 | 2015-DJ-BX-0611 | 9,234 |
| Passed through Kansas Office of the Governor: | | | |
| Victims of Crime Act | 16.575 | 16-VOCA-02 | 39,570 |
| Violence Against Women Formula Grants | 16.588 | 16-VAWA-03 | 48,740 |
| Justice and Mental Health Collaboration Program | 16.745 | 2015-MO-BX-0012 | 87,414 |
| Total U.S. Department of Justice | | | <u>184,958</u> |
| U.S. Department of Transportation: | | | |
| Passed through Kansas Department of Transportation: | | | |
| Highway Safety Cluster: | | | |
| State and Community Highway Safety | 20.600 | SP-0931-16 | 4,500 |
| State and Community Highway Safety | 20.600 | SP-1300-16 | 9,795 |
| Highway Safety Cluster Subtotal | | | <u>14,295</u> |
| Highway Planning and Construction Cluster: | | | |
| Highway Planning and Construction | 20.205 | C-4640-01 | 41,084 |
| Passed through Kansas Adjutant General: | | | |
| Hazardous Materials Emergency Preparedness | 20.703 | - | 83,186 |
| Total U.S. Department of Transportation | | | <u>\$ 138,565</u> |

(Continued)

DOUGLAS COUNTY, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Year Ended December 31, 2016

| Federal Grantor/Pass-Through Grantor/Program Title | Federal CFDA Number | Grant Number | Expenditures |
|---|---------------------|-------------------------|--------------|
| U.S. Department of Health and Human Services: | | | |
| Investigations and Technical Assistance | 93.283 | - | \$ 55,214 |
| Partnership to Improve Community Health | 93.331 | 6 NU58DP005667-03-02 | 492,127 |
| Passed through Kansas Department of Health and Environment: | | | |
| Public Health Emergency Preparedness - SFY16 | 93.069 | 264678K/264678M | 66,861 |
| Public Health Emergency Preparedness - SFY17 | 93.069 | 264678U | 30,995 |
| Family Planning - 2017 | 93.217 | 264FP17 | 192,564 |
| Immunization Action Plan - 2017 | 93.268 | 264315J30P | 28,225 |
| Child Care and Development Fund Cluster: | | | |
| Child Care Licensing - 2017 | 93.575 | 2643450F | 70,088 |
| CDRR - 2017 | 93.757 | 264435H/264433R/264441R | 24,398 |
| Medicaid Cluster: | | | |
| Teen Pregnancy Targeted Case Mgt Grant - 2017 | 93.778 | 2640650 | 36,096 |
| Ebola | 93.817 | U90TP000523 | 9,038 |
| HIV Prevention - 2016 | 93.940 | 264840E/264840F | 40,667 |
| CDRR - 2017 | 93.991 | 2644277J | 52,006 |
| Maternal & Child Health - Block Grant - 2017 | 93.994 | 2643450F | 71,265 |
| Passed through the Unified Government of Wyandotte County: | | | |
| Public Health Emergency Preparedness - 2016 | 93.069 | - | 6,509 |
| Total U.S. Department of Health and Human Services | | | 1,176,053 |
| U.S. Department of Homeland Security: | | | |
| Passed through Kansas Adjutant General: | | | |
| Emergency Management Performance Grants | 97.042 | - | 2,504 |
| Citizens - Community Resilience Innovation Challenge | 97.053 | - | 291 |
| Total U.S. Department of Homeland Security | | | 2,795 |
| Total federal awards expenditures | | | \$ 1,899,439 |

See accompanying notes to schedule of expenditures of federal awards.

DOUGLAS COUNTY, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2016

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, 2016. 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, as applicable, 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.

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, 2016

Section I - Summary of Independent Auditor's Results

Financial Statement

| | |
|--|---------------------------------|
| Type of report issued on whether the financial statement audited was prepared in accordance with GAAP: | Adverse |
| Type of auditor's 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: | 2016-001, 2016-002 and 2016-003 |
| Noncompliance material to the financial statement noted: | None |

Federal Awards

| | |
|--|------------|
| Types of auditor's 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: | 2016-004 |
| Any audit findings that are required to be reported in accordance with Section 2 CFR 200.516(a): | Yes |

DOUGLAS COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section I - Summary of Independent Auditor's 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) |
| 93.331 | Partnerships to Improve Community Health |
| 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 2016-001 Significant Deficiency

Prior Reference Number – 2015-001

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 – 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. These types of controls should be available as part of the new payroll/HR module that was implemented during 2016.

DOUGLAS COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings (Continued)

Finding 2016-001 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.

Finding 2016-002 Significant Deficiency

Prior Reference Number – 2015-004

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.

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.

DOUGLAS COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section II – Financial Statement Findings (Continued)

Finding 2016-003 Significant Deficiency

Prior Reference Number – 2015-005

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

Cause – During testing of access controls in Manatron tax system, we noted that there is an “Administrator” function that allows users assigned to this role to have complete access to the system. In 2016, we noted that there is still one individual who has complete access to the system, but there are some mitigating controls that do exist: a) the appraised value of property is retained in a separate software package called Orion that only the Appraiser’s office has access to; therefore, these individuals could not change the value of a property, b) when corrections of errors are processed, it begins in the Appraiser’s office and goes through Board approval, and c) these individuals could move from a higher levying tax district to a lower levying tax district; however an outlier would be noticed when mapping out the tax districts.

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/Corrective Action Plan (Unaudited) – Administrator Status in Aumentum (GRM) has been changed from four to three. No other action taken.

Section III – Federal Award Findings and Questioned Costs

Finding 2016-004 Significant Deficiency

Prior Reference Number – None

Federal Program – Partnerships to Improve Community Health (CFDA No. 93.331), US. Department of Health and Human Services, Grant Award Number 6NU58DP005667-03-02

Compliance Requirement – Procurement

DOUGLAS COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Section III – Federal Award Findings and Questioned Costs (Continued)

Finding 2016-004 Significant Deficiency (Continued)

Condition – The Lawrence-Douglas County Health Department (the Health Department) could not provide evidence that bids were obtained for a service in accordance with the Health Department’s purchasing policy.

Criteria – Regulations contained in A-102 Common Rule require the Health Department to follow its purchasing policy, which complies with federal requirements.

Context – One of the two vendors selected for testing lacked the required bid documentation.

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

Effect – Without allowing for full and open competition, the Health Department could have entered into a contract with a vendor who may not have been the most qualified or cost effective for the service.

Questioned Costs – None.

Recommendation – The Health Department should follow its own internal purchasing policy in order to ensure compliance with procurement requirements.

Management’s Response/Corrective Action Plan (Unaudited) – In response to this finding, our federal grantors approved all expenditures with our written plan submitted prior to any funds being disbursed. For the future, the Health Department will ensure that the purchasing policy requiring bids be obtained, is followed or an exception is made by the Health Board to ensure full compliance with the policy.

Contact Name (Unaudited) – Jennie Henault, Director of Administrative Services

Expected Completion Date (Unaudited) – September 19, 2017