

Sedgwick County, Kansas

Single Audit Reports

Year Ended December 31, 2016



Sedgwick County, Kansas
Year Ended December 31, 2016

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Sedgwick County, Kansas

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2016

Agency/Program	Clusters	CFDA #	Award/Contract Number	Passed through To Subrecipients	Federal Expenditures
U.S. Department of Agriculture:					
Pass-Through Program From:					
Kansas Department of Education					
National School Breakfast Program	1	10.553	2011N109943		\$ 53,248
National School Lunch Program	1	10.555	2011N109943		95,486
Kansas Department of Health & Environment					
WIC - Women Infants & Children FY16		*10.557	2013IW100343		1,435,065
WIC - Women Infants & Children FY17		*10.557	2013IW100343		447,187
Subtotal Indirect Programs					<u>2,030,986</u>
Total U.S. Department of Agriculture					<u>2,030,986</u>
U.S. Department of Housing & Urban Development:					
Continuum of Care Program (SPC-Main) FY '14		14.267	KS0012L7P021407		125,692
Continuum of Care Program (SPC-Main) FY '15		14.267	KS0012L7P021508		345,225
Continuum of Care Program (SPC-B-1) FY '14		14.267	KS0066L7P021404		4,444
Continuum of Care Program (SPC-B-1) FY '15		14.267	KS0066L7P021505		7,748
Continuum of Care Program (SPC-B-2) FY '14		14.267	KS0082L7P021403		7,632
Continuum of Care Program (SPC-B-2) FY '15		14.267	KS0082L7P021504		3,785
Continuum of Care Program (Safety Net) FY '14		14.267	KS0011L7P021407		26,135
Continuum of Care Program (Safety Net) FY '15		14.267	KS0011L7P021508		61,025
Continuum of Care Program (Samaritan) FY '14		14.267	KS0009L7P021404		54,820
Section 8 Choice Voucher Program		14.871	KS16V169004010		729,734
Subtotal Direct Programs					<u>1,366,240</u>
Pass-Through Program From:					
City of Wichita -					
Resident Opportunity and Supportive Services (ROSS)		14.870	KS004RPS210A009		73,000
Subtotal Indirect Programs					<u>73,000</u>
Total U.S. Department of Housing & Urban Development:					<u>1,439,240</u>
U.S. Department of Justice:					
Internet Crimes Against Children (Title IV, JJDP)'15		16.543	2013-MC-CX-K021	60,379	134,392
Internet Crimes Against Children (Title IV, JJDP)'16		16.543	2016-MC-FX-K005	58,432	130,042
BJA State Criminal Alien Assistance Prg. (FFY16)		16.606	2016-AP-BX-0410		32,983
Byrne Justice Assistance Grant '13 (JAG)		16.738	2013-DJ-BX-0622	33,281	61,244
Byrne Justice Assistance Grant '14 (JAG)		16.738	2014-DJ-BX-0829	5,880	23,246
Byrne Justice Assistance Grant '15 (JAG)		16.738	2015-DJ-BX-0300	131,917	178,669
Byrne Justice Assistance Grant '16 (JAG)		16.738	2016-DJ-BX-0620		59,582
Equitable Sharing Program USMS		16.922			324,423
Subtotal Direct Programs					<u>944,581</u>
Pass-Through Program From:					
Kansas Governor Federal Grants Program					
Paul Coverdell National Forensic Science Improvement Act		16.742	16-NFSIA-02		13,035
Kansas Department of Corrections					
Juvenile Accountability Block Grant '16 (JABG)		16.523	JABG-2016-18-15		19,936
Subtotal Indirect Programs					<u>32,971</u>
Total U.S. Department of Justice					<u>977,552</u>
U.S. Department of Transportation:					
Pass-Through Program From:					
Kansas Dept. of Transportation					
Highway Planning & Construction (Force Acct Agreement)	4	20.205	87 C-0417-01		1,596
Formula Grants for Rural Areas Section 5311 - FY16		20.509	PT-079936	370,552	456,286
Formula Grants for Rural Areas Section 5311 - FY17		20.509	PT-079937	195,804	244,553
FTA - Bus and Bus Facilities Formula Program	5	20.526	PT-5339-17		59,322
Highway Safety Project - Click Step	3	20.600	PT-0995-16		6,372
National Priority Safety Programs (A)	3	20.616	AL-9093-16 / SP-4704-16		2,535
Subtotal Indirect Programs					<u>770,664</u>
Total U.S. Department of Transportation					<u>770,664</u>
U.S. Department of Health & Human Services:					
Healthy Start Initiative FFY16		93.926	6 H49MC 11254-08-01		198,557
Healthy Start Initiative FFY17		93.926	5 H49MC 11254-09-00		431,964
Subtotal Direct Programs					<u>630,521</u>

Sedgwick County, Kansas

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2016

Agency/Program	Clusters	CFDA #	Award/Contract Number	Passed through To Subrecipients	Federal Expenditures
Pass-Through Program From:					
Administration On Aging:					
Kansas Department For Aging And Disability Services					
Title III, Part D - Disease Prevention & Health Promotion - FY16		93.043	16-02-3D		\$ 30,014
Title III, Part D - Disease Prevention & Health Promotion - FY17		93.043	17-01-1D		7,196
Title III, Part B - Support Services - FY16	2	*93.044	16-02-3B	97,488	414,967
Title III, Part B - Support Services - FY17	2	*93.044	17-02-1B	16,044	83,774
Title III, Part C(1) - Administration - FY16	2	*93.045	16-01-1A		46,866
Title III, Part C(1) - Administration - FY17	2	*93.045	17-01-1A		16,105
Title III, Part C(1) - Congregate Meals - FY16	2	*93.045	16-01-1C(1)	445,777	445,777
Title III, Part C(1) - Congregate Meals - FY17	2	*93.045	17-01-1C(1)	111,740	111,740
Title III, Part C (2) - Home Delivered Meals - FY16	2	*93.045	16-02-4C(2)	197,360	284,997
Title III, Part C (2) - Home Delivered Meals - FY17	2	*93.045	17-02-1C(2)	108,438	111,626
Title III, Part E - Administration - FY16		93.052	16-02-3A		20,979
Title III, Part E - Administration - FY17		93.052	17-02-1A		7,267
Title III, Part E - National Family Caregiver Support Program		93.052	16-02-3E	45,990	160,047
Title III, Part E - National Family Caregiver Support Program		93.052	17-01-1E	8,213	39,313
Home Delivered & Congregate Meals '16	2	*93.053	16-02-4C(1) & 16-02-4C(2)	196,998	196,998
Home Delivered & Congregate Meals '17	2	*93.053	17-02-1C(1) & 17-02-1C(2)	63,429	63,565
Substance Abuse and Mental Health Services Administration:					
Kansas Department For Aging And Disability Services					
Projects for Assistance in Transition from Homelessness FY16		93.150	PATH 16-022		37,518
Projects for Assistance in Transition from Homelessness FY17		93.150	PATH 17-022		40,537
Substance Abuse (Beacon Health) Contract - SFY16		93.959	ADT-16-01-04		172,460
Substance Abuse (Beacon Health) Contract - SFY17		93.959	ADT-17-01-04		218,192
Enhanced Supported Employment of Kansas SFY16		93.243			212,948
Enhanced Supported Employment of Kansas SFY17		93.243			97,996
South Central Mental Health Counseling Center					
Block Grants for Community Mental Health Services FY16		93.958			150,603
Block Grants for Community Mental Health Services FY17		93.958			150,603
Administration On Community Living:					
Kansas Department For Aging and Disability Services					
ACA - Medicare Improvements for Patients and Providers (MIPPA)		93.518			14,658
Kansas Department of Health & Environment					
Tuberculosis Control Grant '16		93.116			28,904
Public Health Emergency Preparedness (PHEP) '16		93.069	264678R		189,054
Public Health Emergency Preparedness (PHEP) '17		93.069	264678T		128,394
Family Planning Services '16		93.217	264FP15		126,156
Family Planning Services '17		93.217	264FP16		107,604
WIC Immunization Collaboration Agreements FY16		93.268	264315G3OP		29,213
WIC Immunization Collaboration Agreements FY17		93.268	264315H3OP		12,362
IAP Immunization Cooperation Agreements FY16		93.268	264315G3OP		16,754
IAP Immunization Cooperation Agreements FY17		93.268	264315H3OP		6,237
HIV Preventive Activities Health Dept. Based FY16		93.940	264840F & G		23,378
HIV Preventive Activities Health Dept. Based FY17		93.940	264840G		3,760
Preventive Health Services STD Control Grants FY16		93.977	264308F & G		66,536
Preventive Health Services STD Control Grants FY17		93.977	264308G & H		71,442
Maternal and Child Health Services Block Grant FY16		93.994	264329G&H,264334G&H,264230G		117,053
Maternal and Child Health Services Block Grant FY17		93.994	264329J,264334J		97,617
Subtotal Indirect Programs					4,161,210
Total U.S. Department of Health & Human Services					4,791,731
Corporation For National And Community Service:					
Retired and Senior Volunteer Program:					
Retired and Senior Volunteer Program FY16		94.002	13SRWKS004		51,432
Total Corporation For National And Community Service					51,432
Executive Office of the President					
Kansas Bureau of Investigation					
High Intensity Drug Trafficking Areas Program		95.001	G15MW003A		47,675
Total Executive Office of the President					47,675

Sedgwick County, Kansas

Schedule of Expenditures of Federal Awards

Year Ended December 31, 2016

<i>Agency/Program</i>	<i>Clusters</i>	<i>CFDA #</i>	<i>Award/Contract Number</i>	<i>Passed through To Subrecipients</i>	<i>Federal Expenditures</i>
U.S. Department of Homeland Security					
Asistance to Fire Fighters Grant FY15		97.044	EMW-2014-FO-06270		\$ 671
Subtotal Direct Programs					671
Pass-Through Program From:					
Kansas Adjutant General - Division of Emergency Management					
Emergency Mgmt Performance Grant - Salary Reimbursement		97.042	EMW2011EP00034		93,654
Subtotal Indirect Programs					93,654
Total Department of Homeland Security					94,325
Total Expenditures of Federal Awards				\$ 2,147,722	\$ 10,203,605

<u>Clusters:</u>	<u>Totals</u>
1 - Child Nutrition Cluster =	\$ 148,734
2 - Aging Cluster =	\$1,776,415
3 - Highway Safety Cluster =	\$ 8,907
4 - Highway Planning and Construction Cluster =	\$ 1,596
5 - Federal Transit Cluster =	\$ 59,322

* Major Programs

Sedgwick County, Kansas
Notes to the Schedule of Expenditures of Federal Awards
Year Ended December 31, 2016

(1) Schedule of Expenditures of Federal Awards

The accompanying schedule of expenditures of federal awards (the “Schedule”) includes the federal award activity of Sedgwick County (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). Because the Schedule presents only a selected portion of the operations of the County, it is not intended to and does not present the financial position, changes in net position, or cash flows of the County.

(2) Basis of Accounting

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in OMB Circular A-87 or the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowance or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The County has elected not to use the 10 percent de minimis cost rate allowed under the Uniform Guidance.

**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters Based on an
Audit of the Financial Statements Performed in Accordance with
Government Auditing Standards**

Sedgwick County
Wichita, 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 financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sedgwick County, Kansas (the County), as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated June 2, 2017.

Internal Control Over Financial Reporting

Management of the County is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the County's internal control to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 County'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 as items 2016-001, 2016-002, 2016-003 and 2016-004 to be material weaknesses.

Sedgwick County
Wichita, Kansas

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2016-005, 2016-006, 2016-007, 2016-008, 2016-009, and 2016-010 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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*.

County's Response to Findings

The County's response 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 statements and, accordingly, we express no opinion on them.

We also noted certain matters that we reported to the County's management in a separate letter dated June 2, 2017.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

BKD, LLP

Wichita, Kansas
August 7, 2017

**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**

Sedgwick County
Wichita, Kansas

Report on Compliance for Each Major Federal Program

We have audited Sedgwick County, Kansas' (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, contracts 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.

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.

Sedgwick County
Wichita, Kansas

Opinion on Major Federal Programs

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.

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 our 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 identified a certain deficiency in internal control over compliance as described in the accompanying schedule of findings and questioned costs as item 2016-011 that we consider to be a material weakness.

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 and/or corrective action plan. 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.

Sedgwick County
Wichita, Kansas

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 financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the County as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated June 2, 2017, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Wichita, Kansas
August 7, 2017

Sedgwick County, Kansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2016

7. Identification of major programs:

CFDA 93.044, 93.045, 93053 - Aging Cluster

CFDA 10.557 - Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)

8. The threshold used to distinguish between Type A and Type B programs was \$750,000.

9. The County qualified as a low-risk auditee?

Yes

No

Sedgwick County, Kansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2016

Section II – Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
2016-001	<p>Finding: Material Weakness - Year-End Financial Reporting Process</p> <p>Criteria: The County is expected to maintain accurate accounting records.</p> <p>Condition: Several material adjustments were needed to correct the trial balance during the audit.</p> <p>Context: During the course of our audit procedures, we made numerous adjustments to the trial balance, some of which had a material effect on the changes in net position and fund balances, including adjustments provided by the Finance Department during the course of our audit to adjust the following areas: Other liabilities, Grant revenue, receivable and deferred inflows, EMS and ComCare revenue, receivable and deferred inflows, accounts payable, retainage payable, lease receivable.</p> <p>Cause: No formal year end closing procedures in place to determine all entries needed.</p> <p>Effect: Several material adjustments were made during the audit.</p> <p>Recommendation: The Finance Department should establish a formal year-end closing schedule in order to improve the efficiency of the audit process and reduce both the number and dollar value of the audit adjusting journal entries. Such an approach would detail all the critical steps in the year-end close as well as the account analysis and schedule preparation required for the audit. Due dates would also be monitored so that the process stays on target for the established time deadline. Strict adherence to this schedule should be required because this will allow for the year-end work and audit preparation to be a much less time-consuming and arduous process.</p> <p>Views of Responsible Officials: The Division of Finance (Finance) has developed a year-end checklist. Staff from Enterprise Resource Planning (ERP), Purchasing, Accounts Payable and other divisions are working together to ensure all relevant processes are listed. Meetings between Finance and the ERP team already are scheduled to discuss setting firm year-end target dates for purchase orders and shopping carts to be processed. The Finance team will meet with each division to advise them of the year-end timeline and educate them on the importance of meeting the deadlines.</p>

Sedgwick County, Kansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2016

Reference Number	Finding
2016-002	<p>Finding: Material Weakness - Agency Funds</p> <p>Criteria: The County is expected to maintain accurate accounting records for agency funds</p> <p>Condition: Several agency funds had not been reconciled, in some cases, for several years.</p> <p>Context: During the course of our audit we noted several balances within the Other Fee Collections Agency Fund that had not been reconciled, in some cases for several years. This resulted in County staff and auditors spending significant time in identifying these balances and working to reconcile these balances. As a result, several journal entries were posted to correctly move various account balances to the appropriate fund. We also identified an Agency Fund balance not originally reflected by the County. In addition, several accounts remained unreconciled at the conclusion of the audit and will require additional follow up by County staff to appropriately reconcile.</p> <p>Cause: No reconciliations performed, in some cases, for several years.</p> <p>Effect: Several journal entries were needed to correctly move various account balances.</p> <p>Recommendation: The County should work to ensure all accounts in the Agency Funds are appropriately reconciled in a timely manner.</p> <p>Views of responsible officials: All liability accounts (for all funds, not just agency funds) have been reviewed and assigned to County staff for regular review. The Finance team has scheduled a meeting with each division's finance lead and respective division head to review these agency funds and liability accounts. Finance will set expectations that all accounts will be reconciled on a monthly basis by the responsible party and then reviewed by the Finance team.</p>

Sedgwick County, Kansas

Schedule of Findings and Questioned Costs (Continued)

Year Ended December 31, 2016

Reference Number	Finding
2016-003	<p>Finding: Material Weakness - Capital Assets</p> <p>Criteria: The County is expected to maintain accurate accounting records for capital assets.</p> <p>Condition: Several issues related to capital assets including, assets not maintained in the county software, construction in progress not transferred when complete, incorrectly capitalizing specific assets, correct dating of assets.</p> <p>Context: During the audit of capital assets, the following items were noted:</p> <ul style="list-style-type: none"> • Several material assets are not maintained in the County’s accounting software. This resulted in difficulty reconciling the fixed assets to detail schedules and causes inefficiencies for County staff in compiling the information. • We noted that there were items that were not appropriately transferred from construction in progress in prior years. These assets should have been transferred out of construction in progress, which would have triggered the beginning of the depreciable life of the assets. • Various capital asset categories reflected variances between categories. In addition, capital assets for business-type activities reflected an unreconciled variance from the detail schedule to the footnote summary. • The County incorrectly capitalized various right of way assets that are property of the State of Kansas. • The County does not have the ability to reflect the correct date for various capital assets in the accounting software. As a result, assets that are identified as requiring capitalization subsequent or purchase dates cannot reflect the correct date-in-service date and therefore depreciation is not able to be correctly calculated on these assets. <p>Cause: Inability to enter specific assets and dates into the accounting software. Ineffective communications between public works and the finance department.</p> <p>Effect: Several errors within capital assets.</p> <p>Recommendation: The County should perform a thorough review of the capital asset schedules, including reviewing depreciation expense calculations and ensuring information is correctly reported and assets service dates are appropriate based on what is actually occurring. The County should also ensure a formal review take place on capital asset activity throughout the year. This review should be completed by an appropriate member of management and formally documented.</p> <p>Views of Responsible Officials: Finance and ERP have identified a way to configure the County’s financial system, SAP, to put an in-service date on a capital asset so that it will depreciate according to the in-service date, rather than the date it is put into SAP.</p> <p>With regard to items which were inappropriately transferred from construction in progress in prior years, Finance staff have worked with Public Works staff to improve communications. Public Works now provides details to Finance on a quarterly basis regarding project status and estimated completion date. The information is now reported in the quarterly financial report, which is presented to Commissioners and posted to the County’s website. In the past, this type of communication was not occurring. Improved and more frequent communications should also address issues like the capitalization of right of way assets that actually belonged to the State of Kansas, not Sedgwick County, as accounting staff had no information that would identify the project as belonging to the State, rather than the County. These incorrectly capitalized assets are being removed from the capital asset listing. In addition, changes to the way projects are requested and budgeted are already in place for the 2018 budget to more clearly define the type of project and project partners.</p> <p>In accordance with K.S.A. 19-2687 and Sedgwick County Resolution #176-2001, each department head and County official is required to file an updated County-owned capital asset inventory with the County Clerk each year. Accounting generates the listing from SAP and sends it out to each department head and County official. They are asked to review their listings and let Accounting know of any changes, such as additions that were maybe missed or assets that have been disposed of. In addition, the County will perform a thorough review of our capital asset schedules to ensure information is being reported correctly.</p>

Sedgwick County, Kansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2016

Reference Number	Finding
2016-004	<p>Finding: Material Weakness - Vendor Fraud</p> <p>Criteria: The County is expected to maintain internal controls to safeguard county resources.</p> <p>Condition: The County was the victim of an email spoofing scheme by which it incurred an initial loss of approximately \$566,000.</p> <p>Context: The fraudster submitted a fraudulent ACH form and provided a voided fraudulent check in order to change ACH payment instructions for an active vendor of the County, causing a legitimate payment by the County to that vendor to be remitted to the fraudster's account.</p> <p>Cause: The most significant factor was that the County lacked appropriate internal controls to safeguard against this type of fraud. A review of existing written policies and procedures in place at the time, and interviews with Finance personnel, indicated there were no policies or procedures regarding verification activities related to requested changes to Vendor Master File information or vendor payment instructions. As the fraudulent ACH form was submitted on a County form (available at the time on the Internet) and was emailed to the correct email address (also noted at the time on the Internet), the requested change was processed with no due diligence performed.</p> <p>Effect: Loss of approximately \$566,000 of county resources.</p> <p>Recommendation: The County should maintain appropriate internal controls would have required that all requested changes to Vendor Master File information and vendor payment instructions be verified by a phone call to the vendor at the phone number existing in the Vendor Master File.</p> <p>Views of Responsible Officials: A number of internal actions have occurred to prevent a similar event from occurring in the future. These actions included a review by an internal team, with action items that have or are in process of being implemented. The vendor master database was reviewed and vendors who had not done business with the County for three years or more were purged. All remaining vendors were contacted via mail to request updated contact information and IRS forms. Internal controls related to vendor master database maintenance have also been added:</p> <ul style="list-style-type: none"> • Any change to a vendor record now requires positive verification by telephone to the number listed in the master database and not on the change form. • The ACH and Vendor forms are no longer available for download from the County's website. A vendor must contact the Accounting Department to get the form. • Completed forms are no longer accepted via email to the OnBase mailbox. <p>A number of other website changes were instituted, to include removal of contracts to prevent the terms and amounts from being easily identifiable, modification of forms requesting information from vendors to reflect different phases of the procurement process, and removal of the County's tax exempt certificate.</p> <p>Also as a result of the fraud loss, financial policies are under review and are being updated as necessary. If policies do not exist but should exist per best practices or audit recommendations, Finance staff are working to identify them. Examples include an overarching financial policy for the organization, along with standardized procedures for conducting County business. Going forward, policies will be reviewed routinely by an internal policy review team for currency and accuracy. Periodic checks to ensure policy compliance will be accomplished by the team.</p>

Sedgwick County, Kansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2016

Reference Number	Finding
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2016-005 Finding: Significant Deficiency - Accounting Software

Criteria: The County is expected to prepare customary reports for audit review.

Condition: The County was initially unable to create a standard trial balance.

Context: As part of our initial request for materials from the County at the beginning of the audit, we requested a trial balance for each of the County's funds at December 31, 2016. The trial balance is very customary report to request as part of an audit process and is typically readily available when requested. Upon our initial request, we noted that the County did not have the ability to quickly generate a trial balance and was encountering difficulty in determining how to generate the report. Although the County was able to eventually generate the report, it was only done so after the auditor's request and resulting in unexpected delays in starting audit fieldwork.

Cause: The County's software initially was not able to produce the requested trial balance.

Effect: Audit delays and accounts found that the county had not reconciled.

Recommendation: The County should generate a trial balance as part of their monthly close procedures as this is a useful report for internal financial reporting and can assist in supporting interim financial statements along with identifying variances outside of expectations.

Views of Responsible Officials: SAP has the capability to run a trial balance, but due to the nature of our business, the trial balance we needed had to be customized by our ERP team. The ERP team has built us a customized trial balance that we have implemented into our month-end and year-end review/reconciliation processes.

Sedgwick County, Kansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2016

Reference Number	Finding
2016-006	<p>Finding: Significant Deficiency - Grant Administration</p> <p>Criteria: The County is expected to maintain accurate accounting records for grant funds.</p> <p>Condition: The County's grant tracking procedures were inadequate to ensure proper year-end cutoff.</p> <p>Context: During our current year-end audit procedures, we noted that the County does not have adequate procedures in place for grant tracking and for ensuring proper year-end cutoff related to grant receivables and unearned/unavailable revenue. The following audit adjustments were identified:</p> <ul style="list-style-type: none"> • Audit journal entries were identified totaling \$951,604 to reclass revenue to the correct accounts. • Audit journal entries were identified correcting the understatement of grants receivable in the amount of \$1,629,292, the understatement of grant related unearned/unavailable revenue in the amount of \$1,089,546, and the understatement of revenues in the amount of \$538,746. <p>Cause: The County does not have adequate procedures to track grants for year end cutoff purposes.</p> <p>Effect: Several material adjustments were made during the audit.</p> <p>Recommendation: The County should develop specific policies and procedures for the central tracking and monitoring of grant activities. These procedures should include an annual review of grant activity to ensure the correct year-end grant revenues, receivables, and unearned/unavailable revenues have been recorded. The County's policy where revenues are only considered available when received within 60 days of the fiscal year end should be considered during this process. Year-end procedures should also include the review of the state subsequent distributions to help ensure proper year-end cut off. In addition, procedures should be implemented that ensures grant receipts are recorded in the correct revenue account.</p> <p>Views of Responsible Officials: With regard to grant revenue, receivable and deferred inflows, Finance will schedule completion of audit workpapers immediately following the completion of all grant reports for the period ending December 31. Many of the final grant revenues, receivables and deferred outflows must reconcile to both the general ledger and the grant reports. Most grant reports are due to the grantor by January 31.</p> <p>Grant Administration</p> <p>With regard to audit journal entries totaling \$951,604 to reclass revenue to the correct accounts, we will conduct reviews of all grant and intergovernmental-related general ledger revenue accounts at the end of each calendar quarter to determine that proper postings have occurred and to make any necessary corrections to assure accurate reporting at year-end.</p> <p>With regard to audit journal entries in the amount of \$1,629,292 to correct the understatement of grants receivable, journal entries in the amount of \$1,089,546 to correct the understatement of grant-related unearned/unavailable revenue, and the correction to address the understatement of revenues in the amount of \$538,746, Finance will implement the following procedures:</p> <ol style="list-style-type: none"> 1. Conduct a year-end review of each grant and intergovernmental fund center using available SAP reports and State Confirmation reports as of December 31 to determine the accurate posting of revenues received and the proper calculation of receivables and unearned/unavailable revenues to be recorded. 2. After March 1, a follow-up review will be conducted to determine if the grant receivables were actually received within 60 days of year-end, and, for those amounts that were not received within the 60-day timeframe, a correcting entry will be made to remove the funds from revenue to a deferred inflow category. 3. Also after March 1, Finance will run a State confirmation report to confirm State subsequent distributions to help ensure proper year-end cutoff. 4. As stated in the previous section, Finance will perform a quarterly review of the revenue general ledger accounts related to grants and intergovernmental revenues to confirm accuracy of postings in these areas.

Sedgwick County, Kansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2016

Reference Number	Finding
2016-007	<p>Finding: Significant Deficiency - Risk Assessment</p> <p>Criteria: The County is expected to complete periodic risk assessments. Condition: The County has not performed a recent fraud risk assessment. Context: Risk assessments are valuable tools for entities to evaluate and plan for threats facing the entity. Recent reports indicate that fraud is rapidly growing in the United States. A proven and effective deterrent to fraud and abuse is the establishment of an antifraud culture within the organization. A strong and highly ethical “tone at the top” provides significant strength to deter fraud. Cause: The County has not performed a recent fraud risk assessment. Effect: Higher fraud risk exposure. Recommendation: We suggest the following:</p> <ul style="list-style-type: none"> • Define the role of the County Board and committees as they relate to fraud and abuse. • Management and supervisors should set an example. • Management and supervisors should remain aware of fraud risks and indicators. • Internal controls should be given high priority. • Fraud-related policies should be enforced. • Reports of potential fraud and abuse should be investigated promptly. <p>Views of Responsible Officials: After the fraud loss in 2016, the County Manager directed the creation of a Vulnerability Working Group. This team, comprised of staff from multiple divisions of the County, was assembled in 2016 to identify areas of risk. The team includes members from Finance, IT, County Treasurer, Legal and other key stakeholders. The group is being tailored to meet the need to address vulnerabilities as they are discovered. Initially, the group identified a number of items on the County’s website that exposed the County to potential risk, which were subsequently removed from the site or modified to prevent further risk. The Deputy County Manager has played a key role on the team, which has ensured the County Manager’s executive team is keenly aware of vulnerabilities and fraud indicators.</p> <p>Internal controls have been instituted; as an example, the County has taken the necessary steps to become PCI/DSS certified and is fulfilling the mandatory training requirements to remain compliant and certified. All Finance staff have completed this training as of June 2017. This level of certification indicates the importance placed on internal controls from the management team. Work is ongoing to tighten policies and procedures to address vulnerabilities and to enforce them regularly and consistently.</p>

Sedgwick County, Kansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2016

Reference Number	Finding
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2016-008 Finding: Significant Deficiency - Schedule of Expenditures of Federal Awards Preparation

Criteria: The County is expected to complete the schedule of expenditures and federal awards (SEFA).

Condition: The County's SEFA had differences from audited amounts.

Context: The County does not have an adequate system of controls in place to accurately identify the federal funds expended which is needed to prepare the SEFA. This resulted in the overstatement of the Aging Cluster in the amount of \$361,188. The County was using reports that included estimates to support the amount on the SEFA rather than the actual amount spent, which could be determined using the general ledger activity for the Aging cost centers.

Cause: The County was using reports that included estimates to support the amount on the SEFA.

Effect: The SEFA needed to be corrected during the audit.

Recommendation: The County should implement additional procedures over the preparation of the SEFA to ensure that the federal expenditures are properly reported. The County should develop reconciliation process that ties the SEFA to the general ledger cost centers to ensure accurate reporting.

Views of Responsible Officials: Staff will use SAP source documentation, along with non-Aging Cluster Grant Reports, to support amounts recorded on the Schedule of Expenditures of Federal Awards (SEFA). As in the past, a worksheet will be prepared to support the amounts on the SEFA with SAP reports or screen shots saved in a separate tab for each grant. Unlike the past, however, this document will include SAP documentation for the Aging Cluster grants without regard to the Aging Cluster reports since the reports do not always reconcile to the SAP general ledger internal orders.

Sedgwick County, Kansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2016

Reference Number	Finding
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2016-009 Finding: Significant Deficiency - Purchasing

Criteria: The County is expected to follow competitive purchasing procedures are governed by Charter Resolution 68 (“Res 68”) which replaced Charter Resolution 651 (“Res 65”) in April 2017.

Condition: The County did not follow Res 68 in all instances tested.

Context: We selected 15 Public Works projects for testing of supporting documentation and noted documentation deficiencies related to two projects, and incorrect capitalization of assets for a separate project.

Cause: There was not consistent communication between Finance and Public Works personnel.

Effect: There were documentation deficiencies noted with regards to two projects.

Recommendation: The County should work to improve communication between Finance and Public Works personnel which would assist in the efficient and accurate accounting for projects. We also recommend proper training of Accounts Payable division personnel regarding necessary supporting documentation required to process payments to vendors, as well as a secondary review of project payments, before the closing of the project, to ensure appropriate supporting documentation and approvals exist.

Views of Responsible Officials: Finance management is working with Accounts Payable staff to help staff identify and include appropriate supporting documentation. Additionally, a procedure has been developed and will be distributed organization-wide regarding required supporting documentation for payment transactions.

Purchasing staff also are collaborating with ERP to identify ways to address projects where change orders result in lower costs. The financial system is not currently configured to allow negative adjustments.

Sedgwick County, Kansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2016

Reference Number	Finding
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2016-010 Finding: Significant Deficiency - Arbitrage Calculation

Criteria: The County is expected to perform periodic arbitrage rebate calculations.

Condition: The County has not completed an arbitrage rebate calculation for all applicable tax exempt bonds issued by the County.

Context: Management attempted to go back and identify the most recent calculation, but was unable to locate any type of supporting document to demonstrate that no rebates were necessary.

Cause: The County has not completed an arbitrage rebate calculation for all applicable tax exempt bonds issued by the County.

Effect: No arbitrage rebate calculation was done.

Recommendation: The County should take steps to ensure these calculations are being performed in a timely manner to determine whether or not a liability should be accrued for amounts required to be refunded, including penalties and interest.

Views of Responsible Officials: Gilmore & Bell, the County's bond counsel, have been contracted to provide an annual arbitrage calculation on the County's tax-exempt bonds. Per Gilmore & Bell, Finance anticipates having this calculation completed by August 2017.

The County has not completed an arbitrage rebate calculation for all applicable tax exempt bonds issued by the County. Management attempted to go back and identify the most recent calculation, but was unable to locate any type of supporting document to demonstrate that no rebates were necessary. We recommend the County take steps to ensure these calculations are being performed in a timely manner to determine whether or not a liability should be accrued for amounts required to be refunded, including penalties and interest.

Sedgwick County, Kansas
Schedule of Findings and Questioned Costs (Continued)
Year Ended December 31, 2016

Section III – Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
2016-011	<p>Finding: Allowable Cost/Cash Management</p> <p>CFDA No. 93.044, 93.045, and 93.053 - Aging Cluster Department of Health and Human Services, Award Number - None Provided, Award Year 2016 Passed-through Kansas Department for Aging and Disability Services (KDADs)</p> <p>Criteria: The County is required to maintain effective internal controls over the single audit process. Condition: We noted the County heavily relied on KDADs employees to catch errors in reporting. When KDADs sends the county corrections of errors, there is no review process over those corrections. We also noted that reports submitted to KDADs require certification by the Executive Director, which the county's accountant is applying a electronic version of and the Executive Director does not review those reports. We also noted there were no procedures in place to trace interest earnings on federal advances.</p> <p>Questioned costs: None.</p> <p>Context: During our testing of allowable costs/activities allowed and cash management, we noted multiple reports the executive director signature is copied and pasted on the reports as opposed to an actual review of the report. The majority of monthly report corrections are based solely on the KDAD employee's input with no secondary review.</p> <p>Effect: The County is not maintaining effective internal controls over the aging program and external parties cannot be a part of the County's internal control process.</p> <p>Cause: The County is utilizing the KDADs employee as a final approval instead of implementing controls over the reporting process that would give the aging finance director the final approval.</p> <p>Identification as a repeat finding: N/A</p> <p>Recommendation: We recommend the County have a review process in place that allows for documentation of who is reviewing the monthly reports and any corrections that are being suggested by KDADs employees.</p> <p>Views of Responsible Officials: The County agrees with the finding. See separate auditee document for planned corrective actions.</p>



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Corrective Action Plan

2016-011 Finding: Allowable Cost/Cash Management

CFDA No. 93.044, 93.045, and 93.053 – Aging Cluster

**Department of Health and Human Services, Award Number - None Provided, Award Year 2016
Passed-through Kansas Department for Aging and Disability Services (KDADS)**

Criteria: The County is required to maintain effective internal controls over the single audit process

Condition: We noted the County heavily relied on KDADS employees to catch errors in reporting. When KDADS sends the county corrections of errors, there is no review process over those corrections. We also noted that reports submitted to KDADS require certification by the Executive Director, which the county's accountant is applying a electronic version of and the Executive Director does not review those reports. We also noted there were no procedures in place to trace interest earnings on federal advances.

Questioned costs: None.

Context: During our testing of allowable costs/activities allowed and cash management, we noted multiple reports the executive director signature is copied and pasted on the reports as opposed to an actual review of the report. The majority of monthly report corrections are based solely on the KDAD employee's input with no secondary review.

Effect: The County is not maintaining effective internal controls over the aging program and external parties cannot be a part of the County's internal control process.

Cause: The County is utilizing the KDADS employee as a final approval instead of implementing controls over the reporting process that would give the aging finance director the final approval.

Identification as a repeat finding: N/A

Recommendation: We recommend the County have a review process in place that allows for documentation of who is reviewing the monthly reports and any corrections that are being suggested by KDADS employees.

Corrective Action: KDADS reports will be prepared each month by the Sedgwick County Department On Aging (SCDOA) Accountant and submitted for review to the SCDOA Executive Director and Finance Director. Once reviewed and revised as necessary it will be approved by the reviewers. The SCDOA Accountant will be notified by email of approval. The Executive Director or, if unavailable, the Finance Director will sign on behalf of the Executive Director. Signature may be hand written, or electronic.

In the event of recommendations from KDADS for revisions to the monthly report, both the Executive Director and the Finance Director will review the recommendations to determine the cause of the error and will then work with staff to address for future report accuracy. The Finance Director will meet with KDADS staff to learn their report review processes with a goal of enhanced reporting and internal review processes to improve reporting accuracy

Federal funds will be requested on a monthly reimbursement basis on all Cash Requests with the exception of September when we are required by the State to draw down remaining funds estimated to be used for the remainder of the fiscal year prior to September 30. Federal cash balances will be monitored each month to determine required interest earnings.

Anticipated Completion Date: September 30, 2017

Responsible Party: Brad Ashens, Finance Director, Sedgwick County Department On Aging



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Prior Year Audit Findings **Corrective Action Plan**

Finding: 2015-001 (Significant Deficiency)

CFDA #14.871; Section 8 Housing Choice Vouchers, U.S. Department of Housing and Urban Development, Award No. KS16V1690004010

Criteria: Under 24 CFR 982.156, a Public Housing Authority (PHA) must inspect leased units annually to determine if the unit meets Housing Quality Standards (HQS) and must perform quality control re-inspections. For units that fail to meet HQS, 24 CFR 982.404 states the PHA must not make any housing assistance payments, unless the owner corrects the defects found within no more than 30 calendar days.

Condition: HQS quality control re-inspections were not performed on units with failed inspections within 30 calendar days of the initial inspection.

Questions Costs: None were noted.

Context: Out of 58 total units with failed inspections, 6 were selected as a sample for testing (the sample was not a statistically valid sample). Of the 6 selected for testing, we noted that re-inspections for 3 were not performed within 30 calendar days from the initial inspection. Re-inspections occurred between 3 and 8 days after the required 30 calendar days. For each of the 3 exceptions, it was noted that the re-inspections indicated that required repairs were completed, and therefore was no need for the County to abate HAP payments or terminate HAP contracts.

Cause: For the performance of inspections and re-inspections, the County has divided their geographic area into sections. All inspections and re-inspections within a specified section are performed once a month, as a way to achieve cost efficiencies by mitigating travel / mileage costs.

Effect: Failure to conduct HQS re-inspections within 30 days could result in a landlord receiving payments for substandard dwelling units if required repairs were found not have not been completed during the required timeframe.

Recommendations: We recommend the County implement controls to insure all HQS re-inspections are performed within 30 days of the initial inspection.

Corrective Action:

SCHA Manager will review HQS recertification fail inspections for timeliness 30 day requirement. Spread sheet will be used by Case Coordinators to document re-inspection timeliness, which will include weekly re-inspection schedules, good cause extension for landlord or tenant, HAP abatement, and terminations. Manager will monitor tracking spread sheet weekly for compliance and randomly pull case files for a desk review. SCHA will research HUD Public and Indian Housing (PIH) Notices for allowable options to streamline verification of repairs for HQS deficiencies on recertification re-inspections.

Anticipated Completion Date:

Process is ongoing with implementation effective April 1st, 2016

Responsible Party:

Craig Perbeck, Director Mill Levy, Mobility and Housing.

Prior Year Audit Findings
Corrective Action Plan

Corrective Actions Completed: The Program manager implemented new policy for staff to re-inspect within 30 days regardless of the administrative cost associated with staff time and travel expense. Staff do inspections by zones and schedule multiple inspections for each zone to reduce cost but this led to inspections occurring after the 30 day time line for failed inspections. With the implementation of the new policy the SEMAP score was 100% for this reporting category. Staff continue to maintain the expected timeline. This action was completed with the implementation of the new policy on April 18, 2016.

Finding: 2015-002 (Significant Deficiency):

CFDA #14.871; Section 8 Housing Choice Vouchers, U.S. Department of Housing and Urban Development, Award No. KS16V1690004010

Criteria: Under 24 CFR 982.156, a Public Housing Authority is required to enter into a depository agreement with their financial institution in the form required to enter into a depository agreement with their financial institution by the U.S. Department of Housing and Urban Development (HUD). The required form is HUD-51999.

Condition: The County's housing authority has not entered into a depository agreement with their financial institution in the form HUD-51999 which is required by HUD.

Questioned Costs: None were noted.

Context: The County has funds from HUD deposited in a single account at one financial institution. They do have a depository agreement with that financial institution; however, the required form HUD-51999 was not completed. This is the only depository account the County has for this program.

Effect: The depository agreement form HUD-51999 provides safeguards for Federal funds and third-party rights to HUD. Without the proper form in place, those items are not in effect for the federal funding agency.

Recommendation: The County should enter into a depository agreement with their financial institution that includes form HUD-51999.

Corrective Action: The County has contacted the bank regarding the addition of HUD-51999 to the existing depository agreement. After review by the bank Legal Department the bank official has signed the HUD form and the form is in the process of being signed by the appropriate County officials prior to being sent to HUD for their signature. Once signed by all parties a copy will be sent to the bank and the original will be kept in the Housing Authority files.

Anticipated Completion Date: April 30, 2016

Responsible Party: Marty Hughes, Revenue Manager

Corrective Actions Completed: HUD Form 51999, General Depository Agreement, was completed and signed by all parties including, Sedgwick County, Intrust Bank and U.S. Department of Housing and Urban Development (HUD) on March 24, 2016. A copy of the signed agreement was sent to the Bank to be included with the existing depository agreement. The original agreement is kept by the County in the Housing Authority files. This action has been completed as of March 31, 2016.

Prior Year Audit Findings
Corrective Action Plan

Finding: 2015-003 (Significant Deficiency)

CFDA #14.871; Section 8 Housing Choice Vouchers, U.S. Department of Housing and Urban Development, Award No. KS16V1690004010

Criteria: Under 24 CFR 982.156, a Public Housing Authority (PHA) must maintain a utility allowance schedule, review its schedule each year, and revise utility allowances if there has been a change of 10% or more. The PHA must maintain information supporting its annual review and revisions made to the allowance schedule.

Condition: While the County provided evidence that an annual review of utility rates was conducted in 2015, adequate supporting documentation for the rates used and calculations performed was not available for all calculations.

Questions Costs: None were noted.

Context: The County made changes to the utility rate allowance schedule during 2015; however, adequate documentation was not available to support all of the calculations.

Cause: The program moved to a different location during 2015. Program personnel indicated that during the move, the documentation for the rate change was misplaced.

Effect: Lack of adequate supporting documentation could lead to incorrect rate calculations, and therefore incorrect utility rate allowances.

Recommendations: We recommend the County evaluate its procedures for the annual utility rate review, including requirements for supporting documentation that is to be retained. Additionally, we recommend a supervisory review be conducted of the annual study, to ensure policies and procedures were followed and supporting documentation is in place.

Corrective Action:

Manager will work with Case Coordinators to complete an updated Utility Allowance schedule. Documentation and verification used to update the schedule will be kept in an electronic file stored on the Housing server and submitted to Finance for review. The paper documentation will be kept in the manager's file cabinet under the tab "Utility Allowance 2016". Manager will place a reminder on his electronic calendar for annual review.

Anticipated Completion Date:

May 31, 2016

Responsible Party: (name and title)

Craig Perbeck, Director Mill Levy, Mobility and Housing

Corrective Actions Completed: A new utility allowance was completed utilizing HUD guidelines and implemented effective 8/1/2016. All documentation for the determination of the new Utility Allowance is kept in a paper file and scanned copies of the paper file are stored on the County Server. This action was completed 8/1/2016.


Hope Hernandez, Accounting Director