



SEDGWICK COUNTY, KANSAS
PURCHASING DIVISION
Purchasing Department
Joseph Thomas, Purchasing Director
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ADDENDUM 2
#16-0068
AUDITING SERVICES

August 4, 2016

The following is to ensure that vendors have complete information prior to submitting a proposal. Here are some clarifications regarding Auditing Services.

Questions and/or statements of clarification are in bold font, and answers to specific questions are italicized.

1. **Does the county have a mandatory rotation policy for audit firms, or has the current audit firm been invited to bid? How long has the county been with its current audit firm?**
No, we do not have a mandatory rotation policy. Our current vendor, AGH, or some make of it has been the county's auditors since the 1970's. They have been invited to bid.
2. **When has interim fieldwork historically been performed? How many auditors were on-site and for how long?**
Interim normally occurs for one week in December. There are typically 2 auditors on site.
3. **When has final fieldwork historically been performed? How many auditors were on-site and for how long?**
Fieldwork begins in early February. There are typically 2-3 auditors on site. They are in the office for approximately 6 weeks.
4. **Is the 2015 compliance report available for review? If not, were any material weaknesses or significant deficiencies reported by the prior year auditors?**
The management letter, along with the compliance report, for the 2015 is included. No material weaknesses or significant deficiencies were reported.
5. **Has there been any significant turnover in the accounting staff over the past year or any changes you'd expect would impact fieldwork?**
No, turnover has occurred or expected that would impact fieldwork.
6. **Are members of the proposal review committee with the county, or outside participants?**
The review committee is with the county.
7. **What, if anything, would the county like to see changed about their current audit process? Are there any improvement areas you'd recommend to your auditor?**
We are currently satisfied with the work of our current auditors and have no changes that we would like to see made.
8. **Section F.5. on page 9 references the Appendices for the 2015 SEFA, was this included in the RFP?**
The single audit, which includes the SEFA has been included in this response.
9. **Section H.3. on page 9 of the RFP notes that the county is responsible for preparation of the financial statements. Does the county draft all sections of the CAFR, or is the auditor being requested to assist with the preparation of any section of the CAFR? If the county drafts the CAFR, when is the first draft historically available for review?**
The county is responsible for preparing all sections. The fund level statements are typically available shortly after fieldwork

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Sedgwick County... Working for you

begins. Footnotes are available shortly afterwards. MD&A and the transmittal letter are completed towards the end of fieldwork.

- 10. Were there any journal entries proposed by the audit firm during 2015 audit? Is there a list of these journal entries available?**

There were 5 adjustments during the course of the audit. The entries are listed in the management letter.

- 11. Was a management letter issued during the 2015 audit, if so, is this available for review?**

See questions number 4.

- 12. For the “Other Special Audits/Engagements” noted in Section 5 on page 6 of the RFP (and consistent with C.6. and C.7. requested on page 7 of the RFP), are examples of these prior year deliverables available for review?**

Several years ago the current auditors reviewed wages and hours worked for one of our larger departments. That report is not available.

- 13. Who does the county use as its OPEB actuary?**

Lewis and Ellis.

- 14. Can you please provide fees for the last 3 years, broken into the same service categories as requested in the Schedule of Professional Fees on page 14 of the RFP?**

Fees and hours are not available.

- 15. What were the comprehensive audit hours for each of the past 3 years? How many auditors were in the field during interim and final fieldwork, and for how many weeks during each?**

Fees and hours are not available.

- 16. The immediate previous contract for auditing services noted that 3 major programs were included in the scope of services for performance of the Single Audit (compliance audit). Should those responding to the RFP assume a similar scope for purposes of proposing costs in connection with the Single Audit? If so, how would the county like responders to address proposed costs for major programs in excess of 3, should there be a year during the contract when more than 3 may be required?**

We expect for the auditors to determine which grants should be audit to meet the threshold, but expect that it would be 3 major programs. If additional time would need to be billed for the single audit due to additional grants, that information should be provided at the beginning of the audit.

- 17. When does the audit interim and year end fieldwork normally take place?**

See answer to question 2.

- 18. Approximately how long (number of weeks) are the auditors usually at your office conducting fieldwork (both preliminary and year end)?**

See answers to question 2 and 3.

- 19. How many auditors (senior and staff, excluding managers and partners) are usually at your office during this time frame?**

See answers to question 2 and 3.

- 20. Please describe the composition and tenure of the staff in the county’s accounting department.**

Sara Jantz is the Accounting Director; she has been with the county for 10 years. Other staff of the accounting department includes a revenue manager, senior revenue specialist, two principal accounts and one senior account staff. Tenure ranges from 2 years to 30 years.

- 21. Do the auditors normally make adjustments to the financial statements? If so, please describe the typical adjustments that you rely on the auditors to make or provide us with a listing of those adjustments for the previous year. Were there any passed adjustments?**

The auditors do not make adjustments to the financial statements. All suggested adjustments are discussed with county staff and it is staff’s determination if adjustments will be made. Please see the answer to question 10.

22. Are there areas of the financial statements that you rely on the auditors to reconcile on your behalf (i.e. net assets, investments, etc)?
No.
23. Do you anticipate receiving the same amounts and types of federal grants for 2016, or will some of the federal grants increase/decrease?
The county expects to receive a similar amount of federal grants as 2015.
24. How many major programs would you expect to be required to be audited under the Uniform Guidance for the current year?
See question 16.
25. Were there any material findings in the 2015 single audit?
There were 3 significant deficiencies. Please see the single audit for additional detail.
26. Did the organization receive a management letter from the auditors in 2014 or 2015? If so can we get copies?
The 2015 management and compliance letter has been included.
27. Do auditors provide any other services throughout the year?
The current auditors make themselves available to answer questions about various things during the year. They assisted a few years ago when the IRS completed a pay and benefit audit.
28. Are you satisfied with the service you have received from current auditors?
Yes.
Is there any service they do not provide that you would like your auditors to provide?
No.
29. Any new debt issuances or other changes that could affect the scope of the audit?
No, debt issuances are planned in the near future. The fire district will have a couple new capital leases in 2017.
30. Has the county been named as a potentially responsible party by the EPA or equivalent organization with the state for any environmental clean up or other issues?
No.
31. Has the county been named in any material litigation that might expose the county to increased financial risk in the near future?
The county is named in litigations, but none are considered an increase risk to our financial position.
32. Does the county provide the audit firm with grouped trial balance or a map of how the various accounts are grouped for financial statement presentation purposes for each Fund?
That can be provided.
33. What was the total fee paid to the Auditor for the 2015 audit? Can you break it down by each service provided?
Fees and hours are not available.

Firms interested in submitting a **proposal** must respond with complete information and **deliver on or before 1:45 p.m. August 23, 2016**. Late **proposals** will not be accepted and will not receive consideration for final award.

“PLEASE ACKNOWLEDGE RECEIPT OF THIS ADDENDUM ON THE PROPOSAL RESPONSE PAGE.”



Kara Kingsley
Purchasing Agent

The Board of County Commissioners
Sedgwick County, Kansas

We are pleased to present this report related to our audit of the financial statements of Sedgwick County (County) for the year ended December 31, 2015. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the County's financial reporting process.

Generally accepted auditing standards require the auditor to promote effective two-way communication between the auditor and those charged with governance. Consistent with this requirement, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

Required Communications

Our Responsibilities with Regard to the Financial Statement Audit

Our responsibility under auditing standards generally accepted in the United States of America; *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of the Single Audit Act; Subpart F of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *Kansas Municipal Audit and Accounting Guide* has been described to you in our arrangement letter and addendum to the arrangement letter dated March 2, 2012 and December 3, 2012, respectively. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities which are also described in those letters.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication regarding the planned scope and timing of our audit and have discussed with you our identification of and planned audit responses to significant risks of material misstatement.

Accounting Policies and Practices

Adoption of, or Change in, Accounting Policies - Management has the ultimate responsibility for the appropriateness of the accounting policies used by the County. The County's significant accounting policies are disclosed in Note 1 to the financial statements.

For the year ended December 31, 2015, the County implemented the provisions of GASB Statement No. 68 *Accounting and Financial Reporting for Pensions*. This statement established accounting and financial reporting by state and local governments for pensions. Also, this statement establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. The implementation of GASB 68 had a

material impact on the December 31, 2015 financial statements as it required the County to record its proportionate share of KPERS' collective net pension liability. As a result, the County recognized a \$122,343,954 net pension liability, a \$9,809,528 of deferred inflows of resources and a \$11,088,775 of deferred outflows of resources as of December 31, 2015, and \$9,386,361 in pension expense for the fiscal year then ended.

Significant or Unusual Transactions - We did not identify any significant or unusual transactions or significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Management's Judgments and Accounting Estimates - Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the County's financial statements:

- *Incurred but not reported claims for workers' compensation and health insurance:* The County provides workers' compensation benefits through a self-insured plan that has been approved by the State of Kansas. Workers' compensation claims are administered by Risk Management, with the assistance of a contract attorney. Premiums are determined by a formula that uses both paid claims and the actual number of claims. As a basis for our conclusions, we reviewed the County's claims paid as a percentage of fund equity and also reviewed the reserves. Estimates related to the health insurance claims are based on a past history of claims incurred, and estimates of the lag time between when a claim is filed and paid. We received the information provided by the third-party administrator in comparison to the historical lag time for claim payments, to ensure amounts projected to be paid after year end were reasonable.
- *Allowances for uncollectible receivables, pertaining to EMS and Comcare billings:* The County administers both of these billings through the Comcare department. The billing systems allow the County to review agings of outstanding receivables and historical information on collections as a percent of gross charges, write-offs, and payments by payor category to develop an uncollectable percentage. As a basis for our conclusions, we reviewed this information in comparison to the estimate management developed for the amount of uncollectible receivables resulting from billings for services.
- *Net Other Post-Employment Benefit (OPEB) Obligation:* The County implements the provisions of GASB 45 by hiring an external actuary to develop an estimate for the annual OPEB cost. This amount was then reduced by actual claims paid for retirees, resulting in a net OPEB obligation at year-end to record as a liability. As a basis for our conclusions, we reviewed the actuarial report for reasonableness and verified the 2015 employer share of premiums paid on behalf of retirees.
- *Net pension liability:* The County followed guidelines in GASB Statement No. 68 for reporting its proportionate share of KPERS' collective net pension liability. This included obtaining KPERS' report on Schedules of Employer and Nonemployer Allocations and Schedules of Pension Amounts by Employer and Nonemployer as of June 30, 2015, which was audited by other auditors. The County compared contributions made by the County to

amounts included in this report. As a basis for our conclusions, we reviewed KPERS' report for reasonableness and verified and recalculated the County's information provided in the report.

Audit Adjustments

There were five audit adjustments made to the original trial balance presented to us to begin our audit: 1) to adjust the direct financing lease receivable and related unearned revenue in the PBC fund for the interest portion related to the 2014 bond issues, 2) to adjust estimate related to allowance on receivables, 3) to adjust estimate for compensated absences liability, 4) to record the pension amounts resulting from the implementation of GASB 68 as discussed above and 5) to increase capital assets for an asset not previously capitalized.

Uncorrected Misstatements

During the course of our audit, we accumulated uncorrected misstatements that were determined by management to be immaterial, both individually and in the aggregate, to the opinion units of the financial statements. Therefore, the adjustments to correct these misstatements were not made to the financial statements. These uncorrected misstatements are summarized in the accompanying schedules.

Management Representations

In connection with our audit procedures, we have obtained a written management representation letter. This representation letter constitutes written acknowledgments by management that it has the primary responsibility for the fair presentation of the financial statements in conformity with generally accepted accounting principles. The representation letter also includes the more significant oral representations made by officers and employees during the course of the audit and includes specific representations, is intended to reduce the possibility of misunderstandings between us and the County and reminds the signing officers to consider seriously whether all material liabilities, commitments and contingencies or other important financial information have been brought to our attention.

Other Disclosures

- We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit, or significant disclosures to be included in the financial statements.
- We are not aware of any consultations management had with other accountants about accounting or auditing matters.
- No significant issues arising from the audit were discussed or were the subject of correspondence with management.
- We did not encounter any difficulties in dealing with management during the audit.

Closing

This report is intended solely for the information and use of the Board and management, and is not intended to be and should not be used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have regarding this report. We appreciate the opportunity to continue to be of service to Sedgwick County.

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

March 23, 2016
Wichita, KS

Sedgwick County

Summary of Adjustments Passed

12/31/2015

ENTITY-WIDE STATEMENTS

Description	Debit (Credit) to				
	Assets	Liabilities	Beg. Equity	Revenues	Expenses
<u>Entity-wide Entries:</u>					
To capitalize Zoo building repairs, net of accumulated depreciation (carryover from a prior year)	\$ 172,731	\$ -	\$ (172,731)	\$ -	\$ -
To capitalize assets not previously capitalized, net of accumulated depreciation (carryover from a prior year)	257,360	-	(257,360)	-	-
To record current year depreciation of capital assets	(86,143)	-	-	-	86,143
Subtotal - capital assets items	343,948	-	(430,091)	-	86,143
To reverse adjustment to accrued vacation liability from prior year	-	-	(800,000)	-	800,000
To reverse adjustment to EMS receivable allowance estimate from prior year	-	-	1,516,331	(1,516,331)	-
To record premiums, discounts and deferred refunding on prior bond issues, net of accumulated amortization (carryover from a prior year)	(366,567)	-	446,435	-	(79,868)
<u>Fund Entries:</u>					
General Fund	231,336	-	85,877	-	(317,213)
Federal / State Assistance Fund	-	-	152,722	-	(152,722)
Debt Service Fund	66,893	-	(70,740)	3,847	-
Aggregate Non-Major and all Other Funds	68,840	(1,025,193)	977,499	-	(21,146)
Reversal of net pension liability and related deferred inflows and outflows that are properly recorded on entity-wide statements	(68,840)	816,690	(796,076)	-	48,226
Total	\$ 275,610	\$ (208,503)	\$ 1,081,957	\$ (1,512,484)	\$ 363,420

Current year effect \$ (1,149,064)
Cumulative effect \$ (67,107)

Sedgwick County

Summary of Adjustments Passed

12/31/2015

GENERAL FUND (MAJOR FUND)

Description	Debit (Credit) to				
	Assets	Liabilities	Beg. Equity	Revenues	Expenses
<i>Effect of prior year's entries on current year:</i>					
To adjust fair value of investments to actual	\$ -	\$ -	\$ (339,552)	\$ -	\$ 339,552
To adjust salary accrual to actual	-	-	425,429	-	(425,429)
<i>Current year adjustments passed:</i>					
To adjust fair value of investments to actual	231,336	-	-	-	(231,336)
	<u>\$ 231,336</u>	<u>\$ -</u>	<u>\$ 85,877</u>	<u>\$ -</u>	<u>\$ (317,213)</u>

Current year effect \$ (317,213)
Cumulative effect \$ (231,336)

Sedgwick County

Summary of Adjustments Passed

12/31/2015

FEDERAL / STATE ASSISTANCE FUND (MAJOR FUND)

Description	Debit (Credit) to				
	Assets	Liabilities	Beg. Equity	Revenues	Expenses

Effect of prior year's entries on current year:

To adjust salary accrual to actual	\$	-	\$	-	\$	152,722	\$	-	\$	(152,722)
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Current year adjustments passed:

NONE

\$	-	\$	-	\$	152,722	\$	-	\$	(152,722)
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Current year effect	\$	(152,722)
Cumulative effect	\$	-

Sedgwick County

Summary of Adjustments Passed

12/31/2015

DEBT SERVICE FUND (MAJOR FUND)

Description	Debit (Credit) to				
	Assets	Liabilities	Beg. Equity	Revenues	Expenses

Effect of prior year's entries on current year:

To record federal interest subsidy for BAB bonds	\$	-	\$	-	\$	(70,740)	\$	70,740	\$	-
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Current year adjustments passed:

To record federal interest subsidy for BAB bonds		66,893	-	-		(66,893)		-
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\$	66,893	\$	-	\$	(70,740)	\$	3,847	\$	-
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Current year effect	\$	3,847
Cumulative effect	\$	(66,893)

AGGREGATE REMAINING FUNDS		GAAP					BUDGETARY	
Description	Debit (Credit) to					Debit (Credit) to		
	Assets	Liabilities	Beg. Equity	Revenues	Expenses	Revenues	Expenditures	
Effect of prior year's entries on current year:								
To adjust salary accrual to actual	\$ -	\$ -	\$ 181,423	\$ -	\$ (181,423)	\$ -	\$ -	
Current year adjustments passed:								
To record liabilities incurred at year-end	-	(208,503)	-	-	208,503	-	208,503	
To record net pension liability and related deferred outflows and inflows	68,840	(816,690)	796,076	-	(48,226)	-	-	
	<u>\$ 68,840</u>	<u>\$ (1,025,193)</u>	<u>\$ 977,499</u>	<u>\$ -</u>	<u>\$ (21,146)</u>	<u>\$ -</u>	<u>\$ 208,503</u>	
	Current year effect <u>\$ (21,146)</u> Cumulative effect <u>\$ 956,353</u>							

SEDGWICK COUNTY, KANSAS

SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2015

WITH

INDEPENDENT AUDITOR'S REPORT



SEDGWICK COUNTY, KANSAS
SINGLE AUDIT REPORT
YEAR ENDED DECEMBER 31, 2015
WITH
INDEPENDENT AUDITOR'S REPORT

SEDGWICK COUNTY, KANSAS

SINGLE AUDIT REPORT

Year Ended December 31, 2015

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This is a copy of the County's single audit report reproduced from an electronic file. An original copy of this document is available at the County's office.

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

Board of County Commissioners
Sedgwick County, Kansas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Sedgwick County, Kansas (County), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements, and have issued our report thereon dated March 23, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

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

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 result of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

March 23, 2016
Wichita, Kansas

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

Board of County Commissioners
Sedgwick County, Kansas

Report on Compliance for Each Major Federal Program

We have audited Sedgwick County, Kansas' (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, 2015. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and 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.

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, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002 and 2015-003. Our opinion on each major federal program is not modified with respect to these matters.

The County's response to the noncompliance findings 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 a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-001, 2015-002 and 2015-003, that we consider to be significant deficiencies.

The County's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

We have audited the 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, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated March 23, 2016, which contained unmodified opinions on those financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to March 23, 2016. 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 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.

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

March 25, 2016
Wichita, KS

SEDGWICK COUNTY, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2015

SECTION I – SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

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

Unmodified

Internal control over financial reporting:

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

FEDERAL AWARDS

Internal control over major federal programs:

- Material weaknesses identified? _____ Yes X No
- Significant deficiencies identified? X Yes _____ none reported

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

See below

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

 X Yes _____ No

Identification of major federal programs and type of auditor's report issued on compliance for major federal programs:

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM</u>	<u>OPINION</u>
14.871	Section 8 Choice Voucher Program	Unmodified
20.509	Formula Grants for Rural Areas - Section 5311	Unmodified
93.044 / 93.045 / 93.053	Aging Cluster	Unmodified

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?

 X Yes _____ No

SEDGWICK COUNTY, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS

No matters were reported.

SEDGWICK COUNTY, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2015

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2015-001 (Significant Deficiency):

CFDA #14.871; Section 8 Housing Choice Vouchers, U.S. Department of Housing and Urban Development, Award No. KS16V169004010

Criteria: Under 24 CFR 982.405, 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.

Questioned 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 30 calendar days. For each of the 3 exceptions, it was noted that the re-inspection indicated that required repairs were completed, and therefore there 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 to have not been completed during the required timeframe.

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

Views of Responsible Officials:

The Sedgwick County Housing Authority (SCHA) concurs with the finding regarding failure to complete HQS re-inspections within 30 days of the initial failed inspection and will implement the following 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.

SEDGWICK COUNTY, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2015

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2015-002 (Significant Deficiency):

CFDA #14.871; Section 8 Housing Choice Vouchers, U.S. Department of Housing and Urban Development, Award No. KS16V169004010

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 by the U.S. Department of Housing and Urban Development (HUD). The required form is HUD-51999.

Condition: The County's housing authority had 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.

Cause: The County was unaware of the requirement to utilize HUD-51999 when entering into a depository agreement with a financial institution.

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.

Views of Responsible Officials:

Sedgwick County concurs with the finding regarding failure to have executed the General Depository Agreement HUD-51999 form with our bank and will implement the following 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.

SEDGWICK COUNTY, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended December 31, 2015

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2015-003 (Significant Deficiency):

CFDA #14.871; Section 8 Housing Choice Vouchers, U.S. Department of Housing and Urban Development, Award No. KS16V169004010

Criteria: 24 CFR 982.517 states that the 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.

Questioned 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.

Recommendation: 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.

Views of Responsible Officials:

The Sedgwick County Housing Authority (SCHA) concurs with the finding regarding failure to maintain complete supporting documentation used to develop the annual utility rate review and a supervisory review of the annual study and will implement the following 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.

SEDGWICK COUNTY, KANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2015

<i>Federal Agency / Pass-Through Grantor / Program</i>	<i>Clusters</i>	<i>CFDA #</i>	<i>Award/Contract Number</i>	<i>Federal Expenditures</i>	<i>Passed Through to Subrecipients</i>
U.S. Department of Agriculture:					
Pass-Through Program From:					
Kansas Department of Education					
National School Breakfast Program	1	10.553	2011N109943	\$ 57,978	
National School Lunch Program	1	10.555	2011N109943	103,825	
Kansas Department of Health & Environment					
Nutrition Program for Women Infants & Children FY15		10.557	2014IW100343	1,478,987	
Nutrition Program for Women Infants & Children FY16		10.557	2015IW100343	468,020	
Subtotal Indirect Programs				2,108,810	
Total U.S. Department of Agriculture				2,108,810	
U.S. Department of Housing & Urban Development:					
Continuum of Care Program (SPC-Main) FY13		14.267	KS0012L7P021306	142,919	
Continuum of Care Program (SPC-Main) FY14		14.267	KS0012L7P021407	377,835	
Continuum of Care Program (SPC-B-1) FY13		14.267	KS0066L7P021303	6,091	
Continuum of Care Program (SPC-B-1) FY14		14.267	KS0066L7P021404	7,250	
Continuum of Care Program (SPC-B-2) FY13		14.267	KS0082L7P021302	12,810	
Continuum of Care Program (SPC-B-2) FY14		14.267	KS0082L7P021403	3,025	
Continuum of Care Program (Safety Net) FY13		14.267	KS0011L7P021306	24,375	
Continuum of Care Program (Safety Net) FY14		14.267	KS0011L7P021407	60,345	
Continuum of Care Program (Samaritan) FY13		14.267	KS0009L7P021303	51,955	
Section 8 Choice Voucher Program		14.871	KS16V169004010	900,700	
Sustainable Communities Regional Planning Grant		14.XXX	KSRIP0052-11	238,338	
Subtotal Direct Programs				1,825,643	
Pass-Through Program From:					
City of Wichita -					
Resident Opportunity and Supportive Services (ROSS)		14.870	KS004RPS210A009	73,000	
Subtotal Indirect Programs				73,000	
Total U.S. Department of Housing & Urban Development:				1,898,643	
U.S. Department of Justice:					
Missing Children's Assistance_ Internet Crimes Against Children FY14		16.543	2013-MC-CX-K021	165,026	\$ 70,001
Missing Children's Assistance_ Internet Crimes Against Children FY15		16.543	2013-MC-CX-K021	157,425	62,991
BJA State Criminal Alien Assistance Prg. FY15		16.606	2015-AP-BX-0095	47,173	
Byrne Justice Assistance Grant FY12 (JAG)		16.738	2012-DJ-BX-0056	45,984	18,984
Byrne Justice Assistance Grant FY13 (JAG)		16.738	2013-DJ-BX-0622	19,273	19,273
Byrne Justice Assistance Grant FY14 (JAG)		16.738	2014-DJ-BX-0829	235,389	151,074
Byrne Justice Assistance Grant FY15 (JAG)		16.738	2015-DJ-BX-0300	93,835	
Equitable Sharing Program		16.922	Not available	578,234	
Subtotal Direct Programs				1,342,339	
Pass-Through Program From:					
Kansas Governor Federal Grants Program					
Paul Coverdell National Forensic Science Improvement		16.742	15-NFSIA-02	31,409	
Kansas Department of Corrections					
Title V _Delinquency Prevention Program		16.548	OJJ-2015V-38-01	9,244	
Subtotal Indirect Programs				40,653	
Total U.S. Department of Justice				1,382,992	
U.S. Department of Transportation:					
Pass-Through Program From:					
Kansas Dept. of Transportation					
Highway Planning & Construction (Force Acct Agreement)		20.205	C 429501	15,159	
Formula Grants for Rural Areas - Section 5311 FY15		20.509	PT-079935	104,393	71,740
Formula Grants for Rural Areas - Section 5311 FY16		20.509	PT-079936	353,775	193,256
Highway Safety Project - Click Step	2	20.600	OP -0995-13	5,781	
National Priority Safety Programs	2	20.616	AL-9093-15 / SP-4704-15	10,368	
City of Wichita					
Federal Transit_Formula Grants FY14		20.507	KS-90-X129	80,438	
Subtotal Indirect Programs				569,914	
Total U.S. Department of Transportation				569,914	
U.S. Department of Health & Human Services:					
Healthy Start Initiative FY15		93.926	4 H49MC 11254-07-00	317,870	
Healthy Start Initiative FY16		93.926	6 H49MC 11254-08-01	393,049	
Subtotal Direct Programs				710,919	
Pass-Through Program From:					
Administration On Aging:					
Kansas Department For Aging And Disability Services					
Title III, Part D - Disease Prevention & Health Promotion - FY15		93.043	15-02-3D	26,954	
Title III, Part D - Disease Prevention & Health Promotion - FY16		93.043	16-01-1D	7,518	
Title III, Part B - Support Services - FY15	3	93.044	15-02-3B	367,063	86,713
Title III, Part B - Support Services - FY16	3	93.044	16-02-1B	84,443	10,199
Title III, Part C(1) - Administration - FY15	3	93.045	15-02-3A	50,091	
Title III, Part C(1) - Administration - FY16	3	93.045	16-01-1A	26,402	
Title III, Part C(1) - Congregate Meals - FY15	3	93.045	15-02-4C(1)	420,869	416,504
Title III, Part C(1) - Congregate Meals - FY16	3	93.045	16-01-1C(1)	79,643	109,130
Title III, Part C (2) - Home Delivered Meals - FY15	3	93.045	15-02-4C(2)	231,672	231,672
Title III, Part C (2) - Home Delivered Meals - FY16	3	93.045	16-02-1C(2)	179,189	114,700
Title III, Part E - Administration - FY15	3	93.045	15-02-3A	15,268	
Title III, Part E - National Family Caregiver Support Program		93.052	15-02-3E	186,901	43,598
Title III, Part E - National Family Caregiver Support Program		93.052	16-01-1E	58,623	4,730

The accompanying notes are an
integral part of this schedule

SEDGWICK COUNTY, KANSAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2015

<i>Federal Agency / Pass-Through Grantor / Program</i>	<i>Clusters</i>	<i>CFDA #</i>	<i>Award/Contract Number</i>	<i>Federal Expenditures</i>	<i>Passed Through to Subrecipients</i>
Home Delivered & Congregate Meals FY15	3	93.053	15-02-4C(1) & 15-02-4C(2)	231,469	196,384
Home Delivered & Congregate Meals FY16	3	93.053	16-02-1C(1) & 16-02-1C(2)	57,644	121,317
Substance Abuse and Mental Health Services Administration: Kansas Department For Aging And Disability Services					
Projects for Assistance in Transition from Homelessness FY15		93.150	PATH 15-022	59,050	
Projects for Assistance in Transition from Homelessness FY16		93.150	PATH 16-022	49,655	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance FY15		93.243	40990	68,157	
Substance Abuse and Mental Health Services_Projects of Regional and National Significance FY16		93.243	40990	50,064	
Block Grants for Community Mental Health Services FY15		93.958	MHCG-15-022	150,602	
Block Grants for Prevention and Treatment of Substance Abuse - FY15		93.959	ADT-15-01-04	142,002	
Block Grants for Prevention and Treatment of Substance Abuse - FY16		93.959	ADT-16-01-04	175,109	
South Central Mental Health Counseling Center					
Block Grants for Community Mental Health Services FY16		93.958	MHCG-16-022	150,602	
Administration On Community Living: Kansas Department For Children and Families					
Developmental Disabilities Basic Support and Advocacy Grants		93.630	KCDD-2015-ANE-01-G	5,445	
Kansas Department For Aging and Disability Services					
ACA - Medicare Improvements for Patients and Providers		93.071	14AAKSMSHI, 14AAKSMAAA, 14KSMADR	14,858	
Kansas Department of Health & Environment					
Project Grants and Cooperative Agreements for Tuberculosis Control Programs FY15		93.116	U52PS707869-23 & U52PS004679-01	30,517	
Public Health Emergency Preparedness (PHEP) FY15		93.069	264678R	184,968	
Public Health Emergency Preparedness (PHEP) FY16		93.069	264678T	145,788	
ACA Personal Responsibility Education Program FY15		93.092	264952D & E	99,495	34,360
Family Planning Services FY15		93.217	264FP15	189,592	
Family Planning Services FY16		93.217	264FP16	76,120	
WIC Immunization Cooperation Agreements FY15		93.268	264315G3OP	18,826	
WIC Immunization Cooperation Agreements FY16		93.268	264315H3OP	8,709	
IAP Immunization Cooperation Agreements FY15		93.268	264315G3OP	21,683	
IAP Immunization Cooperation Agreements FY16		93.268	264315H3OP	15,944	
Centers for Disease Control and Prevention_I&T FY15		93.283	264435F	1,862	
Assistance Programs for Chronic Disease Prevention & Control FY15		93.945	264472J	8,379	
HIV Preventive Activities_Health Dept. Based FY15		93.940	264840E & F	30,401	
HIV Preventive Activities_Health Dept. Based FY16		93.940	264840F & G	18,828	
Preventive Health Services_STD Control Grants FY15		93.977	264308E & F	74,430	
Preventive Health Services_STD Control Grants FY16		93.977	264308F & G	53,586	
Preventive Health and Health Services Block Grant FY15		93.991	264277G	3,724	
Maternal and Child Health Services Block Grant FY15		93.994	264230G, 264329H&J, 264334H&J	117,500	
Maternal and Child Health Services Block Grant FY16		93.994	264329G&H, 264334G&H, 264230F	127,403	
Subtotal Indirect Programs				4,117,048	
Total U.S. Department of Health & Human Services				4,827,967	
Corporation For National And Community Service:					
Retired and Senior Volunteer Program FY14		94.002	13SRWKS004	18,473	
Retired and Senior Volunteer Program FY15		94.002	13SRWKS004	47,579	
Total Corporation For National And Community Service				66,052	
Executive Office of the President:					
Pass-Through Program From: Kansas Bureau of Investigation					
High Intensity Drug Trafficking Areas Program		95.001	G11MW003A	49,160	
Total Executive Office of the President				49,160	
U.S. Department of Homeland Security:					
Assistance to Fire Fighters Grant FY15		97.044	EMW-2014-FO-06270	16,351	
Subtotal Direct Programs				16,351	
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				110,005	
Total Expenditures of Federal Awards				\$ 11,013,543	\$ 1,956,626

Clusters:

1 - Child Nutrition Cluster =
2 - Highway Safety Cluster =
3 - Aging Cluster =

Totals

\$ 161,803
16,149
1,743,753

The accompanying notes are an
integral part of this schedule

SEDGWICK COUNTY, KANSAS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended December 31, 2015

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the Federal grant activity of Sedgwick County (County) and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 2. Indirect Cost Rate

The County has elected not to use the 10-percent de minimis cost rate allowed under Section 200.414(f) of the Uniform Guidance.

Mr. Chris Chronis
Chief Financial Officer
Sedgwick County
525 N Main
Wichita, KS 67203

Internal Control Deficiencies

In planning and performing our audit of the financial statements of Sedgwick County (County) as of and for the year ended December 31, 2015, in accordance with auditing standards generally accepted in the United States of America, we considered the County's internal control over financial reporting (internal control) as a basis for designing 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.

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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

A *material weakness* is a deficiency, or a combination of deficiencies, 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.

A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention to those charged with governance.

Following are descriptions of identified deficiencies in internal control that we determined did not constitute significant deficiencies or material weaknesses:

Segregation of Duties

As noted previously, a control deficiency 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. Compensating controls can mitigate the severity of a deficiency, but do not eliminate the deficiency. For example, management may supplement the controls and procedures with mitigating controls to help detect and prevent possible misstatements. While certain employees may have access to incompatible functions, resulting in a control deficiency, the deficiency in internal control is mitigated, reducing risk. We continue to report these to management as a reminder to remain diligent in ensuring that mitigating controls continue to function as designed. In the event of changes in personnel, policies or procedures, we recommend management re-evaluate whether the mitigating controls are still in place.

- **Treasurer's Office:** We noted that clerks can approve their own voids of cash receipt transactions. Mitigating controls include a supervisory review of transactions daily for appropriateness. This review includes voided transactions. Additionally, large payments from mortgage companies are received via wire transfer, which mitigates the risk of misappropriation of large dollar amounts.
- **Comcare:** We noted that certain employees have the ability to receive cash, post payments to the system, and enter voids in the system. An immaterial amount of cash transactions take place at Comcare because a majority of payments are made electronically by insurance providers.
- **Tax System:** We noted that one individual had access to the entire tax system, except cashing. Several mitigating controls are in place to identify unauthorized changes. First, the assessed values of properties are imported from different software that only the appraiser's office has access to make changes. Second, after the tax roll is done, a map is created that shows tax authorities. If a change was incorrectly made to a property's tax authority group, this map would indicate an outlier in the data. Third, the individual does not have access to the cashing side of the system, so they cannot post fictitious payments in the system.

KRONOS Payroll Approvals

- During our testing over payroll internal controls, we noted that 2 out of 25 timecards selected for testing were not approved by the employee's supervisor. Both of these were after the implementation of the new timekeeping system, KRONOS. Per the County's policy, supervisor approval is still required, but payroll will process an employee's timecard without this approval. We recommend the County evaluate and implement processes to ensure supervisors are approving their employees' timecards.

Tax System: Special Assessments

- We noted that the special assessment report generated from the tax system duplicated certain special assessments associated with inactive pins. This occurred in instances where the inactive pin was combined with an existing pin and the inactive pin was not marked "paid in full." In the prior year, we recommended that inactive pins be reviewed to verify the special assessments were appropriately reassigned to another pin number and that the inactive pin was marked "paid in full" so that the special assessment report will accurately report special assessments owed. This was implemented in 2013 and completed in 2014; however, one special assessment, even though corrected in 2014, continues to be incorrect on one of the reports generated from the tax system. This error had no impact on the financial statements and the Clerk's office continues to investigate the report issue.

Single Audit – Aging Cluster

- During our testing of reporting compliance requirements, Aging personnel and the grant manager noted that there are often corrections made to financial reports and reimbursement requests submitted to the Kansas Department for Aging and Disability Services (KDADS). Additionally, we noted during our testing of the December 2015 reports that a typo resulted in the County not receiving the full reimbursement of expenses for the month. This will be corrected and received with the March 2016 reimbursement request. We recommend that the County evaluate the report process to ensure a detailed review of reports is completed before submission to KDADS.

Federal Program Payroll Documentation

- Cost Principles outlined in 2 CFR 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements* (Uniform Guidance) require that records providing documentation in support of personnel charges to federal grants be supported by a system of internal control. When budget estimates (predetermined allocations) are used, such allocations alone do not qualify as adequate support. Internal controls must still produce reasonable approximations of activity actually performed, with changes in actual activity identified and reflected in the records in a timely manner.

In our review of the new KRONOS timekeeping system, we noted that salaried employees who might work on multiple federal programs do not code their actual time spent on each federal program within the KRONOS system. There is no corresponding documented internal control outside of KRONOS to track and review after-the-fact activity actually performed in comparison to the budgeted allocations of salaries set up within the payroll system.

For the major federal programs tested during this year's Single Audit, none had employees that would be subject to the above requirements. However, other programs now or in the future may have employees charging salaries to multiple programs. Therefore, we recommend the County evaluate options available within KRONOS for tracking time on federal grants for salaried employees, or alternatively implement internal controls outside KRONOS to track time spent on federal programs and evaluate such time in comparison to budgeted allocations.

Other Recommendations

EMS Accounts Receivable Allowance

During testing of EMS' allowance for uncollectible accounts receivable, we noted that the collection percentage had not been re-evaluated since the County took over billing responsibility for EMS activity in 2014. Additionally, we noted that the EMS billing software currently cannot produce an accounts receivable aging report to help in evaluating collection rates. Now that the County has some historical information on collection rates, write-offs, adjustments, etc., we recommend the County create an accounts receivable aging report and re-evaluate the collection rate used in estimating the accounts receivable allowance using historical collection rates.

CLOSING

This communication is intended solely for the information and use of the Board and management, and is not intended to be, and should not, be used by anyone other than these specified parties.

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

March 23, 2016
Wichita, KS