



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

# LEAVENWORTH COUNTY, KANSAS

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SINGLE AUDIT REPORTS AND  
SUPPLEMENTARY SCHEDULES  
YEAR ENDED DECEMBER 31, 2016

LEAVENWORTH COUNTY, KANSAS

SINGLE AUDIT REPORTS AND SUPPLEMENTARY SCHEDULES

Year Ended December 31, 2016

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

The County Commissioners  
Leavenworth 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 statement of Leavenworth County, Kansas (the County) which comprises the summary statement of regulatory basis receipts, expenditures and unencumbered cash as of December 31, 2016 and the related notes to the financial statement and have issued our report thereon dated May 23, 2017. Our opinion contained an adverse opinion because the County prepared this regulatory basis financial statement to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore material weaknesses and significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of findings and questioned costs as Finding 2016-001 that we consider to be a significant deficiency.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the County's financial statement is 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*.

### **County's Response to Findings**

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

### **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.

*Berberich Trahan & Co., P.A.*

May 23, 2017  
Topeka, Kansas



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**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**

The County Commissioners  
Leavenworth County, Kansas:

**Report on Compliance for Each Major Federal Program**

We have audited Leavenworth County, Kansas’s (the County’s) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the County’s major federal programs for the year ended December 31, 2016. The County’s major federal programs are identified in the summary of auditor’s results section of the accompanying schedule of findings and questioned costs.

**Management’s Responsibility**

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

**Auditor’s Responsibility**

Our responsibility is to express an opinion on compliance for each of the County's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Basis for Qualified Opinion on Formula Grants for Rural Areas (CFDA 20.509)**

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding Formula Grants for Rural Areas (CFDA 20.509) as described in Finding 2016-003 for Allowable Costs/Cost Principles and Reporting, 2016-004 for Allowable Costs/Cost Principles, and Period of Performance and 2016-005 for Matching. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

**Qualified Opinion on Formula Grants for Rural Areas (CFDA 20.509)**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 Formula Grants for Rural Areas (CFDA 20.509) for the year ended December 31, 2016.

**Basis for Qualified Opinion on Aging Cluster (CFDA 93.044, 93.045, and 93.053)**

As described in the accompanying schedule of findings and questioned costs, the County did not comply with requirements regarding the Aging Cluster (CFDA 93.044, 93.045, and 93.053) as described in Finding 2016-003 for Allowable Costs/Cost Principles and Reporting. Compliance with such requirements is necessary, in our opinion, for the County to comply with the requirements applicable to that program.

**Qualified Opinion on Aging Cluster (CFDA 93.044, 93.045, and 93.053)**

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, 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 the Aging Cluster (CFDA 93.044, 93.045, and 93.053) for the year ended December 31, 2016.

**Other Matters**

The results of our auditing procedures disclosed other 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 Findings 2016-002, and 2016-006. Our opinion on each major federal program is not modified with respect to these matters.

The County's responses to the noncompliance 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 compliance and, accordingly, we express no opinion on the responses.

## 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2016-003, 2016-004 and 2016-005 to be material weaknesses.

*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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as Findings 2016-002 and 2016-006 to be significant deficiencies.

The County's responses to the internal control over compliance 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 compliance and, accordingly, we express no opinion on the responses.

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 summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the County as of and for the year ended December 31, 2016, and the related notes to the financial statement and have issued our report thereon dated May 23, 2017, which contained an adverse opinion because the County prepared this regulatory basis financial statement to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

*Berberich Trahan & Co., P.A.*

May 23, 2017  
Topeka, Kansas

LEAVENWORTH COUNTY, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2016

Federal Grantor/ Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Expenditures
U.S. Department of Agriculture:				
Passed through Kansas Department of Health and Environment:				
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	201616W100643 201616W100343 201716W100643	\$ -	\$ 223,018
Special Supplemental Nutrition Program for Women, Infants, and Children - BFPC	10.557	2014IW500343	-	<u>6,149</u>
Total U.S. Department of Agriculture				<u>229,167</u>
U.S. Department of Transportation:				
Passed through the Kansas Department of Transportation:				
Passed through Northeast Kansas Coordinated Transit Council (Coordinated Transit District #3):				
Formula Grants for Rural Areas SFY 2016 - Operating	20.509	None	123,317	54,132
Formula Grants for Rural Areas SFY 2016 - Admin	20.509	None	24,941	4,738
Formula Grants for Rural Areas SFY 2017 - Operating	20.509	None	123,317	54,991
Formula Grants for Rural Areas SFY 2017 - Admin	20.509	None	20,252	<u>781</u>
Total U.S. Department of Transportation				<u>114,642</u>
U.S. Department of Health and Human Services:				
Passed through the Wyandotte/Leavenworth Area Agency on Aging:				
Aging Cluster:				
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	16-01-2B	70,637	70,637
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	16-01-2C(1) and 16-01-2C(2)	121,069	121,069
USDA Nutrition Services Incentive Program	93.053	None	44,810	<u>44,810</u>
Total Aging Cluster				<u>\$ 236,516</u>

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(Continued)

LEAVENWORTH COUNTY, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
(Continued)

Year Ended December 31, 2016

Federal Grantor/ Program Title	Federal CFDA Number	Grantor's Number	Program or Award Amount	Expenditures
Passed through the Kansas Department of Health and Environment:				
Public Health Emergency Preparedness SFY 2016	93.069	U90TP000523-04	\$ 56,585	<u>\$ 31,372</u>
Public Health Emergency Preparedness SFY 2017	93.069	U90TP000523-05	59,517	<u>30,105</u>
Family Planning Services SFY 2016	93.217	FPHPA076219-01	36,611	<u>19,144</u>
Family Planning Services SFY 2017	93.217	FPHPA076219-02	35,657	<u>17,829</u>
Immunization Action Plan SFY 2016	93.268	H23IP000748-03	10,912	<u>5,456</u>
Immunization Action Plan SFY 2017	93.268	H23IP000748-04	11,492	<u>5,746</u>
CCDF Cluster:				
Child Care and Development Block Grant SFY 2016	93.575	None	27,726	13,863
Child Care and Development Block Grant SFY 2017	93.575	None	26,492	<u>13,246</u>
Total CCDF Cluster				<u>27,109</u>
Medicaid Cluster:				
Medical Assistance Program SFY 2016	93.778	None	24,577	12,298
Medical Assistance Program SFY 2017	93.778	None	24,580	<u>10,689</u>
Total Medicaid Cluster				<u>22,987</u>
Maternal & Child Health SFY 2016	93.994	B04MC29344-01	35,147	<u>17,573</u>
Maternal & Child Health SFY 2017	93.994	B04MC29344-01	35,147	<u>17,574</u>
Total U.S. Department of Health and Human Services				<u>431,411</u>
U.S. Department of Homeland Security:				
Passed through Kansas Division of Emergency Management:				
Emergency Management Performance Grants	97.042	None	14,853	<u>14,853</u>
Total U.S. Department of Homeland Security				<u>14,853</u>
				<u>\$ 790,073</u>

See accompanying notes to schedule of expenditures of federal awards.

LEAVENWORTH COUNTY, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2016

1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Leavenworth County, Kansas (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 of the County.

2 - Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on a regulatory basis of accounting. This basis is designed to meet the requirements of the State of Kansas and follows the provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The expenditures on the Schedule are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statement.

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

LEAVENWORTH COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

December 31, 2016

**Section I - Summary of Independent Auditor's Results**

Financial Statement

Type of report issued on whether the financial statement audited was prepared in accordance with GAAP:	Adverse
Type of auditor's report issued on the basis of accounting used by the County:	Unmodified – regulatory basis
Internal control over financial reporting:	
Material weaknesses identified:	None
Significant deficiencies identified that are not considered to be material weaknesses:	2016-001
Noncompliance material to the financial statement noted:	None

Federal Awards

Types of auditor's report issued on compliance for major programs:	Aging Cluster: Qualified – Allowable Costs/Cost Principles, and Reporting Formula Grants for Rural Areas: Qualified – Allowable Costs/Cost Principles, Period of Performance, Reporting and Matching
Internal control over major programs:	
Material weaknesses identified:	2016-003, 2016-004, 2016-005
Significant deficiencies identified that are not considered to be material weaknesses:	2016-002, 2016-006
Any audit findings that are required to be reported in accordance with Section 2 CFR 200.516(a):	Yes

LEAVENWORTH COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Section I - Summary of Independent Auditor's Results (Continued)**

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.509	Formula Grants for Rural Areas
93.044, 93.045, 93.053	Aging Cluster

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

Auditee qualified as low-risk auditee: No

**Section II – Financial Statement Findings**

**Finding 2016-001 Significant Deficiency**

*Prior Reference Number* – 2015-001

*Federal Program* – All federal programs

*Compliance Requirement* – All compliance requirements

*Condition* – The County was not able to provide a schedule of expenditures of federal awards (SEFA) for the County's federal programs.

*Criteria* – An entity that expends federal awards must have controls in place that would enable the entity to compile a SEFA. A SEFA identifies and tracks all federal awards and their related information, including but not limited to the Catalog of Federal Domestic Assistance number, grant award title, grant award amount and federal expenditures.

*Cause* – The County does not have controls in place to centrally track all federal awards related only to the County. The County does not have an individual or a department with the necessary knowledge to administer and track the expenditures for the County's federal programs.

*Effect* – A SEFA allows for increased knowledge of all federal grant activity at the County level. The lack of a SEFA hinders this knowledge and could lead to grant noncompliance in the event of individual grant administrator turnover.

LEAVENWORTH COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

**Section II – Financial Statement Findings (Continued)**

**Finding 2016-001 Significant Deficiency (Continued)**

*Questioned Costs* – None.

*Recommendation* – We recommend that all federal grants at the County be tracked by a central grant administrator or department that would prepare the SEFA and oversee expenditures of and compliance with the federal grant programs.

*Management's Response (Unaudited)* – In consultation with the county Financial Administrator, we will recommend additional staff to serve as a grant administrator for all federal grants.

*Corrective Action Plan (Unaudited)* – We will proceed with the development of a job description for a Grant Administrator. A personnel line item has been added to the County Clerk's 2018 budget for this position.

*Contact Name (Unaudited)* – Janet Klasinski

*Expected Completion Date (Unaudited)* – 2017

**Section III – Federal Award Findings and Questioned Costs**

**Finding 2016-002 Significant Deficiency**

*Prior Reference Number* – 2015-002

*Federal Program* – Aging Cluster: Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers (CFDA No. 93.044), Special Programs for the Aging – Title III, Part C – Nutrition Services (CFDA No. 93.045) and USDA Nutrition Services Incentive Program (CFDA No. 93.053); U.S. Department of Health and Human Services; Passed through the Wyandotte/Leavenworth Area Agency on Aging; Grant Award Nos. 16-01-2B, 16-01-2C(1), and 16-01-2C(2)

*Compliance Requirement* – Allowable Costs/Cost Principles

*Condition* – Employees' salaries and benefits were allocated to these grants based on estimates rather than actual time spent on grant activities.

LEAVENWORTH COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

**Finding 2016-002 Significant Deficiency (Continued)**

*Criteria* – According to 2 CFR Part 200.430, *Compensation—personal services*, the “Standards for Documentation of Personnel Expenses” state that personnel costs charged to a federal program must be supported as follows (selected excerpts):

“Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. [...]

- (viii) Budget estimates (i.e. estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes, provided that:
  - (A) The system for establishing the estimates produces reasonable approximations of the activity actually performed;
  - (B) Significant changes in the corresponding work activity (as defined by the non-Federal entity's written policies) are identified and entered into the records in a timely manner. Short term (such as one or two months) fluctuation between workload categories need not be considered as long as the distribution of salaries and wages is reasonable over the longer term; and
  - (C) The non-Federal entity's system of internal controls includes processes to review after-the-fact interim charges made to a Federal awards based on budget estimates. All necessary adjustment must be made such that the final amount charged to the Federal award is accurate, allowable, and properly allocated.”

*Cause* – While the County maintained appropriate personnel activity reports for employees that worked on multiple activities, payroll expenditures allocated to this grant were based on estimates rather than actual time spent on grant activities.

*Effect* – The County could be allocating unallowable costs to these grants if the estimates used do not reflect an actual account of the employees’ time spent.

*Questioned Costs* – Unknown; the questioned costs derived from the sample cannot be extrapolated to the entire population because the County was unable to provide the total federal expenditures charged to the grant directly related to payroll.

*Recommendation* – The County should implement controls to ensure employees’ salaries or wages and benefits are allocated to grants based on actual time spent.

LEAVENWORTH COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

**Finding 2016-002 Significant Deficiency (Continued)**

*Management's Response (Unaudited)* – The County will implement controls to ensure employees' salaries and wages are allocated to grants based on actual time spent.

*Corrective Action Plan (Unaudited)* – Personnel who work on multiple activities submit an activities report at the end of each pay period reflecting actual hours dedicated to grants. Instead of estimating salaries and wages for reports, those timesheets will be used to calculate actual time spent on grants. The numbers, with federal percentages breakdowns, will also be forwarded to the County Clerk's office monthly for entry into their federal expenditures ledger.

*Contact Name (Unaudited)* – Kathy Miller

*Expected Completion Date (Unaudited)* – Program is in place.

**Finding 2016-003 Material Weakness**

*Prior Reference Number* – 2015-003

*Federal Program* – Aging Cluster: Special Programs for the Aging – Title III, Part B – Grants for Supportive Services and Senior Centers (CFDA No. 93.044), Special Programs for the Aging – Title III, Part C – Nutrition Services (CFDA No. 93.045) and USDA Nutrition Services Incentive Program (CFDA No. 93.053); U.S. Department of Health and Human Services; Passed through the Wyandotte/Leavenworth Area Agency on Aging; Grant Award Nos. 16-01-2B, 16-01-2C(1), and 16-01-2C(2); and Formula Grants for Rural Areas (CFDA No. 20.509); U.S. Department of Transportation; Passed through the Kansas Department of Transportation and the Northeast Kansas Coordinated Transit Council (Coordinated Transit District #3)

*Compliance Requirement* – Allowable Costs/Cost Principles and Reporting

*Condition* – The County does not maintain a ledger detailing payroll expenditures charged to the federal program.

*Criteria* – An entity that expends federal awards must be able to track individual federal expenditures for each program.

LEAVENWORTH COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

**Finding 2016-003 Material Weakness (Continued)**

*Cause* – The County does not have controls in place to track individual payroll expenditures for the federal award.

*Effect* – A ledger of federal expenditures allows for increased knowledge of the federal grant’s activity. The lack of a ledger hinders this knowledge and could lead to grant noncompliance in the event of individual grant administrator turnover.

*Questioned Costs* – None.

*Recommendation* – We recommend that the federal grant’s payroll activity be tracked by a detailed ledger to assist in the oversight of expenditures and compliance with the federal grant program.

*Management’s Response (Unaudited)* – The Council on Aging bookkeeper and clerk’s office are working together to track individual payroll expenditures.

*Corrective Action Plan (Unaudited)* – A ledger has been created that tracks, by detail, expenditures in compliance with federal grant programs.

*Contact Name (Unaudited)* – Kathy Miller

*Expected Completion Date (Unaudited)* – Program is in place.

**Finding 2016-004 Material Weakness**

*Prior Reference Number* – 2015-004

*Federal Program* – Formula Grants for Rural Areas (CFDA No. 20.509); U.S. Department of Transportation; Passed through the Kansas Department of Transportation and the Northeast Kansas Coordinated Transit Council (Coordinated Transit District #3)

*Compliance Requirement* – Allowable Costs/Cost Principles and Period of Performance

LEAVENWORTH COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

**Finding 2016-004 Material Weakness (Continued)**

*Condition* – For the first five months of the fiscal year, the County’s drivers did not complete personnel activity reports to support the distribution of their salary or wages between federal and non-federal activities. Beginning in June 2016, the drivers prepared such personnel activity reports. However, not all personnel activity reports were maintained by the County. For the entire fiscal year, the County’s dispatchers did not complete personnel activity reports or certifications to support the distribution of their salary or wages between federal and non-federal activities. As such, the entire fiscal year, dispatchers’ salaries and benefits were allocated to the grant based on estimates rather than actual time spent on grant activities.

For the first eight months during the fiscal year, the County’s drivers' non-federal activity was included in personnel costs charged to the grant. For the last four months of the fiscal year, the hourly rate used to remove non-federal activity from personnel costs charged to the grant was based on outdated payroll information.

For the last four months of the fiscal year, a portion of the salary of the transportation compliance specialist, who acted as both a dispatcher and as the program administrator, was double-allocated between the operating portion and the administration portion of the federal program.

*Criteria* – According to 2 CFR Part 200.430, *Compensation—personal services*, the “Standards for Documentation of Personnel Expenses” state that personnel costs charged to a federal program must be supported as follows (selected excerpts):

“Charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must:

- (i) Be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated; [...]
- (vii) Support the distribution of the employee's salary or wages among specific activities or cost objectives if the employee works on more than one Federal award; a Federal award and non-Federal award; an indirect cost activity and a direct cost activity; two or more indirect activities which are allocated using different allocation bases; or an unallowable activity and a direct or indirect cost activity. [...]
- (viii) Budget estimates (i.e., estimates determined before the services are performed) alone do not qualify as support for charges to Federal awards, but may be used for interim accounting purposes[.]”

LEAVENWORTH COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

**Finding 2016-004 Material Weakness (Continued)**

*Cause* – During the prior fiscal year, there was grant administrator turnover. The new grant administrator lacked the expertise to properly calculate the federal program’s payroll expenditures.

*Effect* – The County could be allocating unallowable costs to the grant.

*Questioned Costs* – Unknown; personnel activity reports showing the distribution of actual activity, which were not available for the first five months of the year for drivers and the entire year for dispatchers, would need to be compared to the estimated activity allocated to the grants for each employee.

*Recommendation* – The County ended the grant program as of January 2017. As such, no further action is recommended.

*Management’s Response (Unaudited)* – The County elected to discontinue the grant program as of January 1, 2017.

*Corrective Action Plan (Unaudited)* – No corrective action plan required at this time.

*Contact Name (Unaudited)* – Linda Lobb

*Expected Completion Date (Unaudited)* – N/A

**Finding 2016-005 Material Weakness**

*Prior Reference Number* – 2015-006

*Federal Program* – Formula Grants for Rural Areas (CFDA No. 20.509); U.S. Department of Transportation; Passed through the Kansas Department of Transportation and the Northeast Kansas Coordinated Transit Council (Coordinated Transit District #3)

*Compliance Requirement* – Matching

*Condition* – The County failed to monitor matching requirements.

LEAVENWORTH COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

**Finding 2016-005 Material Weakness (Continued)**

*Criteria* – The County is required to provide local contributions of 20% for project administration and 30% for project operations to match Federal awards.

*Cause* – During fiscal year 2015, there was grant administrator turnover. The new grant administrator was not aware of the County’s matching requirements.

*Effect* – The County may not be meeting the grantor’s requirements to provide contributions of a specified percentage to match Federal awards.

*Questioned Costs* – Unknown; the amount that the County failed to match would need to be compared to what was charged to the federal grant. Without a proper tracking mechanism in place, it is not possible to determine if questioned costs exist.

*Recommendation* – The County ended the grant program as of January 2017. As such, no further action is recommended.

*Management’s Response (Unaudited)* – The County elected to discontinue the grant program as of January 1, 2017.

*Corrective Action Plan (Unaudited)* – No corrective action plan required at this time.

*Contact Name (Unaudited)* – Linda Lobb

*Expected Completion Date (Unaudited)* – N/A

**Finding 2016-006 Significant Deficiency**

*Prior Reference Number* – 2015-007

*Federal Program* – Formula Grants for Rural Areas (CFDA No. 20.509); U.S. Department of Transportation; Passed through the Kansas Department of Transportation and the Northeast Kansas Coordinated Transit Council (Coordinated Transit District #3)

*Compliance Requirement* – Cash Management and Reporting

LEAVENWORTH COUNTY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
(Continued)

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

**Finding 2016-006 Significant Deficiency (Continued)**

*Condition* – The County did not maintain evidence of review of reimbursement requests submitted between January 2016 and July 2016.

*Criteria* – Information reported to the grantor should be reviewed for accuracy and approved by an individual with direct knowledge of the program prior to submission.

*Cause* – Evidence of review was not maintained for the first half of the fiscal year due to grant administrator turnover.

*Effect* – The County could provide the grantor with inaccurate reimbursement requests if there is no review of the requests prior to submission.

*Questioned Costs* – None.

*Recommendation* – As of August 2016, the County maintained evidence of review of reimbursement requests. The County ended the grant program as of January 2017. As such, no further action is recommended.

*Management's Response (Unaudited)* – The situation with the transportation manager was rectified and a personnel change was made. The County elected to discontinue the grant program as of January 1, 2017.

*Corrective Action Plan (Unaudited)* – No corrective action plan required at this time.

*Contact Name (Unaudited)* – Linda Lobb

*Expected Completion Date (Unaudited)* – N/A