



Berberich Trahan & Co., P.A.

Certified Public Accountants

SHAWNEE COUNTY HEALTH AGENCY

**BASIC FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION**

YEARS ENDED DECEMBER 31, 2004 AND 2003

with

INDEPENDENT AUDITORS' REPORT

SHAWNEE COUNTY HEALTH AGENCY
BASIC FINANCIAL STATEMENTS
WITH SUPPLEMENTARY INFORMATION

Years Ended December 31, 2004 and 2003

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INDEPENDENT AUDITORS' REPORT

Members of the Board of Health
Shawnee County Health Agency:

We have audited the accompanying financial statements of the governmental activities of the Shawnee County Health Agency (the Agency) (a special revenue fund of Shawnee County, Kansas) as of and for the years ended December 31, 2004 and 2003. These financial statements are the responsibility of the Agency's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Agency (a special revenue fund of Shawnee County, Kansas) are intended to present the financial position and the changes in financial position of only the portion of the governmental activities of Shawnee County that is attributable to the transactions of the Agency. They do not purport to, and do not, present fairly the financial position of Shawnee County as of December 31, 2004 and 2003 and the changes in its financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities of Shawnee County Health Agency (a special revenue fund of Shawnee County, Kansas) as of December 31, 2004 and 2003, and the changes in financial position for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 31, 2005 on our consideration of the Agency's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Generally accepted accounting principles require the presentation of Management's Discussion and Analysis. Because the financial statements represent one fund of Shawnee County, Kansas, the Management's Discussion and Analysis has not been presented.

Our audits were conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplementary information, including the schedule of expenditures of federal awards as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, is presented for purposes of additional analysis and is not a required part of the basic financial statements of the Shawnee County Health Agency. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Berberich Trahan & Co., P.A.

March 31, 2005

SHAWNEE COUNTY HEALTH AGENCY

BALANCE SHEETS

December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>ASSETS</u>		
Assets:		
Cash and short-term investments	\$ 1,467,356	\$ 656,832
Accounts receivable-patients, net of allowance of \$ 245,871 and \$ 442,326 in 2004 and 2003, respectively	320,804	337,491
Third party payor receivables	214,000	536,167
Due from other governments	555,998	477,191
Inventory	44,698	45,218
	<hr/>	<hr/>
Total assets	<u>\$ 2,602,856</u>	<u>\$ 2,052,899</u>
<u>LIABILITIES AND FUND BALANCES</u>		
Liabilities:		
Accounts payable	\$ -	\$ 23,031
Accrued liabilities	362,985	548,054
Deferred revenue	262,452	56,902
	<hr/>	<hr/>
Total liabilities	<u>625,437</u>	<u>627,987</u>
Fund balances:		
Reserved for encumbrances	-	20,492
Reserved for inventory	44,698	45,218
Unreserved	1,932,721	1,359,202
	<hr/>	<hr/>
	<u>1,977,419</u>	<u>1,424,912</u>
	<hr/>	<hr/>
Total liabilities and fund balances	<u>\$ 2,602,856</u>	<u>\$ 2,052,899</u>

See accompanying notes to financial statements.

SHAWNEE COUNTY HEALTH AGENCY

STATEMENTS OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES

Years Ended December 31, 2004 and 2003

	2004	2003
Revenues:		
Taxes and assessments	\$ 3,791,806	\$ 3,577,175
Intergovernmental	3,248,740	3,115,234
Net patient service revenue	1,948,456	1,877,606
Charges for service	204,240	208,196
Other agency revenue	214,749	319,815
Other	12,846	15,114
Total revenues	<u>9,420,837</u>	<u>9,113,140</u>
Expenditures (Schedule 1):		
Health and welfare:		
Personal services	6,718,268	6,522,765
Contractual services	1,024,116	976,110
Commodities	551,403	550,305
Capital outlay	76,717	78,249
Bad debt expense	244,357	439,908
Indirect cost allocation	253,469	270,968
Total expenditures	<u>8,868,330</u>	<u>8,838,305</u>
Change in fund balances	<u>552,507</u>	<u>274,835</u>
Fund balances, beginning of year, as previously reported	1,424,912	613,910
Prior period adjustment - correction of an error	-	536,167
Fund balances, beginning of year, as restated	<u>1,424,912</u>	<u>1,150,077</u>
Fund balances, end of year	<u>\$ 1,977,419</u>	<u>\$ 1,424,912</u>

See accompanying notes to financial statements.

SHAWNEE COUNTY HEALTH AGENCY

NOTES TO FINANCIAL STATEMENTS

December 31, 2004 and 2003

1 - Nature of Organization and Summary of Significant Accounting Policies

Nature of Organization

The Shawnee County Health Agency (the Agency) is funded by and operates as a special revenue fund of Shawnee County, Kansas (the County). The financial statements of the County have been separately audited and reported on.

Measurement Focus/Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The accounting and financial reporting treatment applied is determined by its measurement focus. The Agency is accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. The operating statement presents increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

The Agency utilizes the modified accrual basis of accounting. Under this basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter (typically 60 days) to be used to pay liabilities. Expenditures are recorded when a liability is incurred.

SHAWNEE COUNTY HEALTH AGENCY

NOTES TO FINANCIAL STATEMENTS (Continued)

1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Cash and Short-Term Investments

The County maintains a cash and investment pool which is available for use by all funds. These pooled investments consist primarily of operating accounts, nonnegotiable certificates of deposit and money market instruments, such as U.S. Treasury and Agency obligations. As provided for in GASB Statement No. 31, the nonnegotiable certificates of deposit are recorded at cost, as they are not affected by market rate changes. GASB Statement No. 31 also provides that governmental entities may report all other investments at fair value or they may elect to report certain money market investments at amortized cost. U.S. Treasury and Agency obligations are carried at amortized cost. The U.S. Treasury and Agency obligations are held at the Federal Reserve on account in the County's name. The County also invests in the State of Kansas Municipal Investment Pool (MIP). The MIP is overseen by the State of Kansas. The fair value of the County's position in the MIP is the same as the value of the pool shares. Earnings on the pooled funds are apportioned and paid or credited to the funds required to accumulate earnings based on their average monthly balances. If a fund is not required to account for its own earnings by law or regulation, the earnings are allocated by the County to the General Fund.

Accounts Receivables-Patients

Patient receivables where a third-party payor is responsible for paying the amount, are carried at a net amount determined by the original charge for the service provided, less an estimate for contractual adjustments or discounts provided to third-party payors.

Patient receivables due directly from the patients are carried at the original charge for the service provided less amounts covered by third-party payors and less an estimated allowance for doubtful receivables based on a review of all outstanding amounts on a monthly basis. Management determines the allowance for doubtful accounts by identifying troubled accounts, by historical experience applied to an aging of accounts and by considering the patient's financial history, credit history and current economic conditions. Patient receivables are written off to bad debt when deemed uncollectible. Recoveries of receivables previously written off are recorded as a reduction of bad debt when received.

Receivables or payables related to estimated settlements on various risk contracts that Agency participates in are reported as third-party payor receivables or payables.

SHAWNEE COUNTY HEALTH AGENCY

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Inventory

Inventory consists of medical supplies carried at cost, which is determined using the first-in first-out (FIFO) method. The inventory is considered expended when consumed by the various departments.

Deferred Revenue

Deferred revenue represents grant monies received in advance of the period earned.

Vacation and Sick Leave Benefits

Under the terms of the County's personnel policy, County employees are granted vacation and sick leave in varying amounts. Vacation is accumulated at the rate of 18 to 30 days per year, depending on the employee's length of service. Sick leave is accumulated at the rate of 13 days per year. The maximum amount of vacation which an employee may carry forward from year to year is 30 days, and the maximum amount of accrued sick leave for which a retiring employee may be compensated is 35% of their sick leave balance. Only retiring employees are compensated for unused sick leave. The amount of accrued vacation is included as a liability in the accompanying basic financial statements. A liability for sick leave is reported at such time as it is known that an employee is retiring in the subsequent year.

Reserves

Reserves of fund balances are reported to indicate that a portion of the fund balance is set aside for a specific purpose.

Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered, including estimated retroactive adjustments under reimbursement agreements with third-party payors. Retroactive adjustments are accrued on an estimated basis in the period the related services are rendered and adjusted in future periods as final settlements are determined.

SHAWNEE COUNTY HEALTH AGENCY

NOTES TO FINANCIAL STATEMENTS
(Continued)

1 - Nature of Organization and Summary of Significant Accounting Policies (Continued)

Use of Estimates

The preparation of financial statements in conformity with the modified accrual basis of accounting requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2 - Intergovernmental Revenues and Receivables

Intergovernmental revenues consisted of the following for the years ended December 31:

	2004	2003
Federal:		
Department of Health and Human Services	\$ 569,200	\$ 525,586
State:		
Department of:		
Health and Environment	2,352,433	2,257,979
Aging	19,685	24,247
Social and Rehabilitation Services	112,500	112,500
	2,484,618	2,394,726
Local:		
Shawnee County	194,922	194,922
Total	\$ 3,248,740	\$ 3,115,234

Amounts due from other governments consisted of the following at December 31:

	2004	2003
State:		
Department of:		
Health and Environment	\$ 555,998	\$ 477,191

SHAWNEE COUNTY HEALTH AGENCY

NOTES TO FINANCIAL STATEMENTS
(Continued)

3 - Related Party Transactions

The County allocates a portion of its ad valorem taxes and assessments to the Agency. For the years ended December 31, 2004 and 2003, the County transferred \$ 3,791,806 and \$ 3,577,175, respectively, to the Agency.

The Agency reimburses the County for its portion of indirect costs incurred by the County. The amounts reimbursed to the County were \$ 253,469 and \$ 270,968 for the years ended December 31, 2004 and 2003, respectively.

4 - Employee's Retirement System

Shawnee County participates in the Kansas Public Employees Retirement System (KPERS) which is a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas Avenue, Suite 100; Topeka, KS 66603-3803) or by calling 1-888-275-5737.

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary. The employer collects and remits member-employee contributions according to the provisions of Section 414(h) of the Internal Revenue Code. State law provides that the employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. State law sets a limitation on annual increases in the employer contribution rates. The KPERS employer rate established by statute from January through June 2004 was 3.22% and from July through December 2004 was 3.82%. Shawnee County's contributions to KPERS for the years ending December 31, 2004, 2003, and 2002 were approximately \$ 1,083,000, \$ 927,000, and \$ 860,000, respectively, equal to the statutorily required contributions for each year.

SHAWNEE COUNTY HEALTH AGENCY

NOTES TO FINANCIAL STATEMENTS
(Continued)

5 - Operating Lease

The Agency has a month-to-month lease agreement for office space which is paid twice a year in March and in September. Rent expense was \$ 47,642 and \$ 51,428 for years ending December 2004 and 2003, respectively.

6 - Prior Period Adjustment - Correction of an Error

In prior years, amounts owed to the Agency for Medicaid cost settlements were not recognized as assets and related patient service revenue. The effect of this change on fund balance at January 1, 2003 was to increase unreserved fund balance by \$ 536,167 and to increase the change in unreserved fund balance for the year ended December 31, 2002 by \$ 100,000.

SUPPLEMENTARY INFORMATION

SHAWNEE COUNTY HEALTH AGENCY
SCHEDULES OF EXPENDITURES BY PROGRAM

Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Administrative Services:		
Personal services	\$ 1,171,539	\$ 1,162,489
Contractual services	392,157	384,190
Commodities	140,989	170,706
Capital outlay	17,494	14,225
Indirect cost allocation	253,469	270,968
	<u>1,975,648</u>	<u>2,002,578</u>
Environmental Health:		
Personal services	521,964	525,800
Contractual services	15,517	12,829
Commodities	32,030	23,320
Capital outlay	1,047	-
	<u>570,558</u>	<u>561,949</u>
Adult Field Services:		
Personal services	883,117	869,041
Contractual services	91,607	65,928
Commodities	12,415	10,572
Non-cash expenditures	-	7,338
	<u>987,139</u>	<u>952,879</u>
Communicable Disease Control:		
Personal services	138,746	178,235
Contractual services	9,148	18,552
Commodities	1,621	1,825
Non-cash expenditures	8,992	22,229
	<u>\$ 158,507</u>	<u>\$ 220,841</u>

(Continued)

SHAWNEE COUNTY HEALTH AGENCY

SCHEDULES OF EXPENDITURES BY PROGRAM
(Continued)

Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Primary Care:		
Personal services	\$ 2,694,264	\$ 2,366,407
Contractual services	264,128	264,735
Commodities	102,788	99,625
Capital outlay	3,032	9,984
Non-cash expenditures	211,039	364,321
	<u>3,275,251</u>	<u>3,105,072</u>
Public Health:		
Personal services	1,308,638	1,420,793
Contractual services	218,694	202,077
Commodities	259,696	243,742
Capital outlay	55,144	54,040
Non-cash expenditures	24,326	46,020
	<u>1,866,498</u>	<u>1,966,672</u>
Adult Health:		
Contractual services	32,865	27,799
Commodities	1,864	515
	<u>34,729</u>	<u>28,314</u>
Total expenditures	<u>\$ 8,868,330</u>	<u>\$ 8,838,305</u>

SHAWNEE COUNTY HEALTH AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	New Award or Unexpended Grant Amount at January 1, 2004	Grant Expenditures	Amount Forfeited	Unexpended Grant Amount at December 31, 2004
Environmental Protection Agency:							
Passed through Kansas Department of Health and Environment:							
Air Pollution Control - 105	66.001		\$ 26,953	\$ 16,692	\$ 5,727	\$ 10,965	\$ -
Air Pollution Control - 105	66.001		33,654	33,654	15,144	-	18,510
Air Pollution Control - 103	66.001		25,689	20,849	3,853	16,996	-
Air Pollution Control - 103	66.001		32,111	32,111	8,440	-	23,671
Total Environmental Protection Agency							
				103,306	33,164	27,961	42,181
U.S. Department of Health and Human Services:							
Community Health Center							
Community Health Center	93.224	6H80CS00522-02-03	506,700	231,144	231,144	-	-
Medical Reserve Corp	93.224	5H80CS00522-03-00	506,700	506,700	276,389	-	230,311
Medical Reserve Corp	93.008		50,000	50,000	50,000	-	-
Medical Reserve Corp	93.008		50,000	50,000	11,667	-	38,333
Passed through Kansas Department of Health and Environment:							
Maternal and Child Health Services:							
Maternal & Child Health - Block Grant	93.991		6,011	4,673	4,673	-	-
Maternal & Child Health - Block Grant	93.991		6,011	6,011	2,996	-	3,015
Maternal & Child Health - Block Grant	93.994		309,231	240,499	240,499	-	-
Maternal & Child Health - Block Grant	93.994		309,231	309,231	154,683	-	154,548
Family Planning Service:							
Family Planning	93.217		122,356	64,736	64,736	-	-
Family Planning	93.217		121,938	121,938	59,210	-	62,728
Sexually Transmitted Disease:							
AIDS Disease Intervention/Prevention	93.118		1,974	1,974	1,974	-	-
AIDS Disease Intervention/Prevention	93.118		1,974	1,974	987	-	987
STD/AIDS Disease Intervention/Prevention	93.977		34,081	17,041	17,041	-	-
STD/AIDS Disease Intervention/Prevention	93.977		44,081	44,081	22,040	-	22,041
AIDS Health Education:							
Counseling & Testing	93.118		5,158	5,030	5,030	-	-
Counseling & Testing	93.118		10,259	10,259	5,129	-	5,130
Risk Reduction	93.118		5,516	4,149	4,149	-	-
Child Care Licensing	93.596		63,929	39,325	39,325	-	-
Child Care Licensing	93.596		60,307	60,307	15,076	-	45,231
Subtotal forward U.S. Department of Health and Human Services							
				\$ 1,769,072	\$ 1,206,748	\$ -	\$ 562,324

(Continued)

SHAWNEE COUNTY HEALTH AGENCY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
(Continued)

Year Ended December 31, 2004

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Program or Award Amount	New Award or Unexpended Grant Amount at January 1, 2004	Grant Expenditures	Amount Forfeited	Unexpended Grant Amount at December 31, 2004
Subtotal forward U.S. Department of Health and Human Services				\$ 1,769,072	\$ 1,206,748	\$ -	\$ 562,324
Child Care Licensing	93.575		31,173	19,175	19,175	-	-
Child Care Licensing	93.575		33,201	33,201	8,298	-	24,903
Chronic Disease Risk Reduction	93.283		11,300	5,650	5,650	-	-
Chronic Disease Risk Reduction	93.991		5,000	5,000	2,500	-	2,500
Immunization Action Plan	93.268		15,986 *	9,577	9,577	-	-
Immunization Action Plan	93.268		12,346	12,346	6,178	-	6,168
Immunization Action Plan	93.778		30,830	19,441	19,441	-	-
Bioterrorism Training and Curriculum Development	93.996		245,598	119,231	119,231	-	-
Bioterrorism Training and Curriculum Development	93.996		245,598	245,598	92,939	-	152,659
Lead Nurse	93.197		50,000	50,000	25,727	-	24,273
Regionalization	93.000		76,420	76,420	68,930	-	7,490
Passed through Jayhawk Area Agency on Aging, Inc.:							
Title III B Supportive Services & Senior Centers	93.633	03-04-1B	18,192	13,331	13,331	-	-
Title III B Supportive Services & Senior Centers	93.633	04-04-1B	17,692	17,692	3,824	-	13,868
Title III D Routine Health Screening	93.043	03-04-1D	2,500	1,848	1,848	-	-
Title III D Routine Health Screening	93.043	04-04-1D	3,000	3,000	682	-	2,318
Total U.S. Department of Health and Human Services				2,400,582	1,604,079	-	796,503
U.S. Department of Agriculture:							
Passed through Kansas Department of Health and Environment:							
Women, Infants & Children	10.557		-	796,049	796,049	-	-
Total Federal Awards				\$ 3,299,937	\$ 2,433,292	\$ 27,961	\$ 838,684

* Award Amended
See notes to schedule of expenditures of federal awards.

SHAWNEE COUNTY HEALTH AGENCY

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2004

1 - General

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of Shawnee County Health Agency.

2 - Basis of Accounting

The accompanying schedule uses the modified accrual basis of accounting.

SHAWNEE COUNTY HEALTH AGENCY
 SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2004

Section I – Summary of Independent Auditors’ Results

Financial Statements

Type of auditors’ report issued:	Unqualified
Internal control over financial reporting:	
Material weaknesses identified:	None
Reportable conditions identified that are not considered to be material weaknesses:	See RC-1
Noncompliance material to financial statements:	None

Federal Awards

Internal control over major programs:	
Material weaknesses identified:	None
Reportable conditions identified that are not considered to be material weaknesses:	None reported
Type of auditors’ report issued on compliance for major programs:	Unqualified
Any audit findings that are required to be reported in accordance with Section 510(a) of Circular A-133:	See 2004-1 and 2004-2

Identification of major programs:

CFDA Number

93.224
 93.991/93.994

Name of Federal Program

Community Health Center
 Maternal & Child Health – Block
 Grant

SHAWNEE COUNTY HEALTH AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
(Continued)

Dollar threshold used to distinguish between Type A and
Type B programs: \$ 300,000

Auditee qualified as a low-risk auditee: Yes

Section II – Financial Statement Findings

Reportable Condition – RC -1

The Agency does not record revenues on an accrual basis throughout the year. Revenues should be recorded at their net realizable amounts. Historical information should be accumulated to determine appropriate contractual or bad debt write-offs which should be recorded monthly.

Section III – Federal Award Findings and Questioned Costs

2004-1

Federal Program – Community Health Center (CHC) (CFDA No. 93.224)

Condition – As of December 31, 2004, the governing board for the CHC grant was not composed of a majority of persons receiving services from the Agency. Of the 11 positions on the governing board, six should have been filled by individuals receiving services from the Agency. Of the six positions, only two were filled at December 31, 2004. As a result, a majority of Board positions were held by those not receiving services from the Agency.

Criteria – According to *OMB A-133 Compliance Supplement*, “Specials Tests and Provisions” section, the governing board for the CHC grant must be “composed of individuals, a majority of whom are being served by the center and who, as a group, represent the individuals being served by the center.”

Effect – The persons served by the CHC grant and the Agency are not adequately represented on the governing board.

Questioned Costs – None

Recommendation – Vacant board positions should be filled as soon as possible by individuals who receive services from the Agency.

SHAWNEE COUNTY HEALTH AGENCY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

(Continued)

2004-2

Federal Program – Maternal & Child Health – Block Grant (MCH) (CFDA No. 93.991/93.994)

Condition – The amount reported for contractual services in “MCH Block Grant Affidavit of Expenditures” report for the quarter ended September 30, 2004 was incorrect. The amount reported represented the year-to-date expenditures instead of the quarter-to-date expenditures. Reviews of the report did not catch the errors before the report was submitted.

Criteria – The “MCH Block Grant Affidavit of Expenditures” is required to be filed for MCH every quarter, indicating correct amounts of Federal and Non-Federal Shares of expenditures for the current quarter and year-to-date.

Effect – The amounts reported to the grantor state agency were misstated. Errors of this kind could result in future loss of funding.

Questioned Costs – None

Recommendation – The completed “MCH Block Grant Affidavit of Expenditures” should be independently reviewed by someone other than the preparer and vouched to supporting documentation. We understand that an amended report has been filed with the grantor state agency.

Corrective Actions Taken or Planned:

RC-1 Shawnee County Health Agency continues to address the receivables issue and will continue to work with other county management to make the necessary changes. The Shawnee County Information Technology division is designing and developing an automated system for the collection and extraction of the data required to address this problem. Supplemental reports are being utilized at the Agency (i.e. bad debt write offs, aging) to track this information.

2004-1 Federal Program Community Health Center (CHC)—The CHC Governing Board is working diligently to recruit and fill the Consumer Board positions. At the present time the Board only has one position left to fill.

2004-2 Federal Program Maternal & Child Health Block Grant (MCH). The expenditures in this grant will be reviewed and compared to other reports for accuracy in expenditure amounts. The quarter in error was corrected.

SHAWNEE COUNTY HEALTH AGENCY

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

Year Ended December 31, 2004

Prior Year Reportable Condition RC-1

The Agency does not record revenues on an accrual basis throughout the year. Revenues should be recorded at their net realizable amounts. Historical information should be accumulated to determine appropriate contractual or bad debt write-offs which should be recorded monthly.

Follow-Up – This reportable condition is repeated in the current year and is shown as RC-1 in the schedule of findings and questioned costs. Shawnee County management is working with the departments in addressing these issues and will continue to do all that is necessary to make the corrections to internal procedures.

Prior Year Finding 2003-1

Federal Program – Special Supplemental Nutrition Program for Women, Infants and Children (WIC) – CFDA No. 10.557

Condition – Of the 23 WIC participant files tested under compliance requirement eligibility guidelines, one participant's computer file contained an input error in the income determination module. The participant's income was understated as a result.

Criteria – Eligibility guidelines stipulate that participants must meet an income standard. Accurate documentation of the participant's income determination must be present in the participant's file.

Cause – Information entered into the participant's computer file was not double-checked or reviewed prior to making the income determination.

Effect – A participant received WIC assistance when it was not definite that the participant met the income standard.

Questioned Costs – Unknown

Recommendation – Participant information should be double-checked or reviewed by another person prior to the participant receiving WIC benefits. The income documentation in the computer file should be more descriptive regarding what kind of proof of income was received from the participant.

Follow-up – A one-month grace period is allowed for the participant to bring in proof of income before the participant can participate in the WIC program. Upon receipt of the proof of income, the information is input in the computer system and reviewed by another WIC employee.

SHAWNEE COUNTY HEALTH AGENCY

SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS

(Continued)

Prior Year Finding 2003-2

Federal Program – Special Supplemental Nutrition Program for Women, Infants and Children (WIC) – CFDA No. 10.557

Condition – The November 2003 “WIC Program Affidavit of Expenditures” reported an inaccurate amount of WIC payroll hours for one employee of the five tested for that month.

Criteria –Reporting guidelines under OMB Circular A-133 stipulate that amounts reported to the grantor must be accurate and complete.

Cause – The WIC payroll hours were not compared to the timesheets by another person independent of affidavit preparation.

Effect – The Agency over-reported expenditures on the affidavit and therefore received more WIC funds than actually spent.

Questioned Costs – \$ 110.46

Recommendation – The payroll hours reported on the affidavit should be reviewed by a person independent of the preparation. This review should include comparing the hours reported on the affidavit to the hours on the employee’s timesheet.

Follow-up – Payroll information is now reviewed by the Team Leader for WIC.



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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

Members of the Board of Health
Shawnee County Health Agency:

We have audited the basic financial statements of the Shawnee County Health Agency (the Agency) as of and for the year ended December 31, 2004, and have issued our report thereon dated March 31, 2005. We conducted our audit in accordance with 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Agency's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted a certain matter involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the Agency's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item RC-1.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition described above is not a material weakness. We also noted other matters involving the internal control over financial reporting that we have reported to management of the Agency in a separate letter dated March 31, 2005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as 2004-1 and 2004-2.

This report is intended solely for the information and use of management, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Berberich Trahan & Co., P.A.

March 31, 2005



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REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Members of the Board of Health
Shawnee County Health Agency:

Compliance

We have audited the compliance of the Shawnee County Health Agency (the Agency) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2004. The Agency's major federal programs are identified in the summary of independent auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Agency's management. Our responsibility is to express an opinion on the Agency's compliance based on our audit.

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 OMB Circular A-133 *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 Agency'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. Our audit does not provide a legal determination of the Agency's compliance with those requirements.

In our opinion, the Agency complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2004. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as 2004-1 and 2004-2.

Internal Control Over Compliance

The management of the Agency is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Agency's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information and use of management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than those specified parties.

Berberich Trahan & Co., P.A.

March 31, 2005