

**CITY OF TOPEKA, KANSAS**

**SINGLE AUDIT REPORT  
(OMB Circular A-133)**

**FOR THE YEAR ENDED DECEMBER 31, 2012**

**City of Topeka, Kansas  
Single Audit Report  
(OMB Circular A-133)  
For the Year Ended December 31, 2012**

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**Independent Auditor's Report on Schedule  
of Expenditures of Federal Awards**

To the Honorable Mayor and Members of the City Council  
City of Topeka, Kansas

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 City of Topeka, Kansas (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated June 25, 2013, which contained unqualified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 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.

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Kansas City, Kansas  
June 25, 2013

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ADDITIONAL INFORMATION

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**City of Topeka, Kansas**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2012**

<b>Grantor Agency</b>	<b>Federal CFDA Number</b>	<b>Grant Number</b>	<b>Current Year Expenditures</b>	<b>Amount Passed Through to Subrecipients</b>
<b>Executive Office of the President-National Drug Control</b>				
Passed Through Kansas Bureau of Investigation:				
Topeka Regional Task Force- High Intensity Drug Trafficking	95.001	G11MW0003A	\$ 5,599	-
Topeka Regional Task Force- High Intensity Drug Trafficking	95.001	G12MW0003A	9,588	-
<b>Total Executive Office of the President-National Drug Control</b>			<b>15,187</b>	<b>-</b>
<b>U.S. Department of Energy</b>				
ARRA-Energy Efficiency and Conservation Block Grant	81.128	DE-SC0002657	2,185	-
<b>Total U.S. Department of Energy</b>			<b>2,185</b>	<b>-</b>
<b>U.S. Department of Homeland Security</b>				
Assistance to Firefighters Grant (SAFER)	97.044	EMW-2010-FH-009	480,102	-
Assistance to Firefighters Grant-2010	97.044	EMW-2010-FP-016	71,414	-
Assistance to Firefighters Grant-2011	97.044	EMW-2011-FO-082	23,763	-
Passed Through Kansas Adjutant General:				
State Homeland Security Program-2009	97.073	2009-SS-T9-0058	4,602	-
<b>Total U.S. Department of Homeland Security</b>			<b>579,881</b>	<b>-</b>
<b>U.S. Department of Housing and Urban Development</b>				
CDBG Entitlement Grants Cluster:				
ARRA-Community Development Block Grant-Recovery	14.253	B-09-MY-20-0003	6,722	-
Community Development Block Grant 2010	14.218	B-10-MC-20-0003	13,046	-
Community Development Block Grant 2011	14.218	B-11-MC-20-0003	126,242	21,537
Community Development Block Grant 2012	14.218	B12-MC-20-0003	1,877,913	197,895
ARRA-Homeless Prevention and Rapid Re-Housing	14.257	S-09-MY-20-0003	61,860	-
Economic Development Initiative-2008	14.251	B-08-SP-KS-0159	25,249	-
Emergency Solutions Grant				
Emergency Solutions Grant 2011	14.231	S-11-MC-20-0003	33,906	35,873
Emergency Solutions Grant 2012	14.231	E12-MC-20-0003	10,915	-
Home Investment Partnerships Program				
Home Investment Partnerships Program 2009	14.239	M-09-MC-20-0203	6,948	6,948
Home Investment Partnerships Program 2011	14.239	M-11-MC-20-0203	288,219	3,588
Home Investment Partnerships Program 2012	14.239	M12-MC-200203	711,408	29,927
Shelter Plus Care Grant				
Shelter Plus Care Grant 2011	14.238	KS0022C7P031003	425,585	-
Shelter Plus Care Grant 2012	14.238	KS0022C7P031104	847,541	-
Passed Through Kansas Department of Commerce:				
Neighborhood Stabilization Program 2009	14.228	09-NSP-019	811,410	-
<b>Total U.S. Department of Housing and Urban Development</b>			<b>5,246,964</b>	<b>295,768</b>
<b>U.S. Department of Interior National Park Service</b>				
Passed Through Kansas Historical Society:				
Historic Preservation Fund Program	15.904	20-11-31923-006	21,000	-
<b>Total U.S. Department of Interior National Park Service</b>			<b>21,000</b>	<b>-</b>

**City of Topeka, Kansas**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2012**

<b>Grantor Agency</b>	<b>Federal CFDA Number</b>	<b>Grant Number</b>	<b>Current Year Expenditures</b>	<b>Amount Passed Through to Subrecipients</b>
<b>U.S. Department of Justice</b>				
JAG Program Cluster:				
ARRA-Recovery Act Byrne Memorial Justice Assistance Grant	16.804	2009-SB-B9-1610	3,806	-
Byrne Memorial Justice Assistance Grant Program 2010	16.738	2010-DJ-BX-1458	61,561	61,561
Byrne Memorial Justice Assistance Grant Program 2011	16.738	2011-DJ-BX-2639	104,514	7,317
Byrne Memorial Justice Assistance Grant Program 2012	16.738	2012-DJ-BX-0214	64,534	-
ARRA-COPS Hiring Recovery Program	16.710	2009RKWX0362	359,240	-
Bulletproof Vest Partnership Program 2010	16.607		3,628	-
Passed Through Kansas Bureau of Investigation:				
Public Safety Partnership & Community Policing Grants	16.710		1,185	-
Passed Through Kansas Department of Transportation:				
Enforcing Underage Drinking Laws Program 2012	16.727	SP-2201-12	14,602	-
Passed Through Office of the Governor:				
Federal Victims of Crime Act 2012	16.575	12-VOCA-45	35,983	-
Federal Victims of Crime Act 2013	16.575	13-VOCA-44	10,440	-
<b>Total U.S. Department of Justice</b>			<b>659,493</b>	<b>68,878</b>
<b>U.S. Department of Transportation</b>				
Passed Through Kansas Department of Transportation				
Deer Creek Trail 6th-10th	20.205	TE-0263-01	402,856	-
ARRA-Landon Trail Extension	20.205	TE-0323-01	69,510	-
Passed Through Kansas Department of Transportation:				
Highway Safety Cluster:				
Alcohol Impaired Driving Countermeasures Incentive Grants-12	20.601	AL-9082-12	9,185	-
Alcohol Impaired Driving Countermeasures Incentive Grants-13	20.601	AL-9082-13	2,439	-
Occupant Protection Incentive 2012	20.602	OP-1331-12	5,272	-
Occupant Protection Incentive 2013	20.602	OP-1470-13	2,763	-
State and Community Highway Safety 2012	20.600	OP-993-12	26,056	-
State and Community Highway Safety 2013	20.600	OP-993-13	7,445	-
Consolidated Planning Grant 2011	20.505	L-0132-11	4,230	-
Consolidated Planning Grant 2012	20.505	L-0132-12	211,601	-
<b>Total U.S. Department of Transportation</b>			<b>741,357</b>	<b>-</b>
<b>U.S. Health and Human Services</b>				
Passed Through Shawnee Regional Prevention & Recovery Serv.				
Substance Abuse & Mental Health Services	93.243		13,555	-
<b>Total U.S. Health and Human Services</b>			<b>13,555</b>	<b>-</b>
<b>Total Expenditures for Federal Awards</b>			<b>\$ 7,279,622</b>	<b>\$ 364,646</b>

**City of Topeka, Kansas**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended December 31, 2012**

**Note 1. Organization**

The City of Topeka, Kansas (the City), is the recipient of several federal awards. All federal awards received directly from federal agencies as well as those awards that are passed through other government agencies, are included on the Schedule of Expenditures of Federal Awards.

**Note 2. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the City, and is presented on the modified accrual basis of accounting. The information presented in this schedule is in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

**Note 3. Local Government Contributions**

Local cost sharing, as defined by the Office of Management and Budget Circular A-102 is required by certain federal grants. The amount of cost sharing varies with each program. Only the federal share of expenditures is presented in the Schedule of Expenditures of Federal Awards.

**Note 4. Additional Audits**

Grantor agencies reserve the right to conduct additional audits of the City's grant programs for economy and efficiency and program results that may result in disallowed costs to the City. However, management does not believe such audits would result in any disallowed costs that would be material to the City's financial position at December 31, 2012.

**Note 5. Outstanding Loans**

The City has outstanding loans under the EPA Capitalization Grant for clean water from the State Revolving Loan Fund CFDA No. 66.458 totaling \$72,123,938 at December 31, 2012.

**City of Topeka, Kansas  
Schedule of Findings and Questioned Costs  
For the Year Ended December 31, 2012**

**Section 1 - Summary of Auditor's Results**

**Financial Statements:**

Type Audit Report Issued on the Basic Financial Statements of Auditee  
Unqualified

Internal Control Over Financial Reporting  
No significant deficiencies reported. Material weaknesses were identified

General Compliance  
The audit did not disclose any instances of noncompliance, which would be material to the basic financial statements.

**Federal Awards:**

Internal Control over Major Programs  
Significant deficiencies reported. No material weaknesses identified.

Type Audit Report Issued on Compliance for Major Programs  
Unqualified

Audit Findings  
12-02 CDBG, CFDA No. 14.218 and Byrne Memorial Justice Assistance Grant CFDA No. 16.804 / 16.738 – Reporting  
12-03 Highway Planning and Construction, CFDA No. 20.205 – Special Tests and Provisions

Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.253/14.218	Community Development Block Grant/ARRA
14.239	Home Investment Partnership
16.710	Public Safety Partnership and Community Policing Grants
16.804/16.738	Edward Byrne Memorial Justice Assistance Grant Program/ARRA
20.205	Highway Planning and Construction Grant

Dollar Threshold Used to Distinguish Between Type A and Type B Program  
\$300,000

Auditee Qualified as a Low-risk Auditee  
No

**City of Topeka, Kansas**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended December 31, 2012**

**Section 2 – Financial Statement Findings**

Financial Statement Findings Required to be Reported in Accordance with *Government Auditing Standards*

**12-01 – Financial Reporting – Material Weaknesses**

Criteria

Management is responsible for establishing, maintaining and monitoring internal controls over financial reporting, and for the fair presentation of the financial statements and related notes in conformity with U.S. generally accepted accounting principles. Management is also responsible for ensuring that all transactions are properly authorized, captured, and reported in the financial statements.

Under professional standards, we have to assess the City's capability of preparing the financial statements including assessing the skills and competencies necessary to prevent or detect and correct a material misstatement. A system of internal control over financial reporting includes controls over financial statement preparation, including footnote disclosures. Control deficiencies exist when the City does not have controls over preparation of the financial statements which would prevent or detect and correct a misstatement in the financial statements.

Condition/Cause

While performing our procedures, we determined that a number of adjustments were required to the financial statements. These adjustments arose, in part, because of the following deficiencies in internal control over financial reporting and other circumstances. We consider these deficiencies, both individually and in the aggregate, to constitute material weaknesses in internal control over financial reporting.

- The City has entered into a variety of contractual, intergovernmental and other agreements. The contractual requirements for some of these agreements are often complex, with events occurring that may require recording an accounting transaction often triggered by a non-cash transaction or event. These types of non-cash or non-routine accounting transactions are not always readily known or detected by finance personnel in the normal course of performing their assigned functions. While performing our audit procedures, it was determined that a prior period adjustment to the City's financial statements was necessary related to a damage claim that occurred in 2010 for which the City was liable but was not recorded in the general ledger.
- During our audit of the City's bank reconciliation process, we noted the reconciled bank balance did not agree to the general ledger. We also noted that the bank reconciliation process was not always completed in a timely manner.
- We noted that the City is still experiencing difficulties in reconciling account balances to subsidiary ledgers. Particularly, the combined utility funds required significant adjustments to several general ledger accounts receivable balances in order to reconcile to the aged trial balance and other subsidiary ledgers.
- We noted that the water utility fund bills the engineering department for material, labor and other costs incurred on certain City projects. At December 31, 2012, the water utility fund's accounts receivable due from the City's engineering department did not reconcile with the related interfund accounts payable balance. Upon further investigation management determined that a portion of the unrecorded balance was duplicate billings that should not have been included as an accounts receivable in the water utility fund and there were several old outstanding accounts receivable invoices that should be appropriately cleared from the books.

**City of Topeka, Kansas**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended December 31, 2012**

- Reconciliations of significant accounts, including deferred amounts on refunding, amortization of bond premiums and discounts, and accounts receivable required under GAAP, were either not made timely or were not made completely and accurately.
- Management does not have a complete process in place to ensure that the trial balance used in the financial statement preparation process is final and contains all required journal entries.

**Effect**

A significant number of adjustments were required that are material to the financial statements were not recorded on the original trial balance provided to us at the beginning of our audit or were not identified by the City's internal controls over financial reporting.

**Recommendation**

Due to the complexities of accounting for many of the City's transactions, we recommend that management explore various alternatives for improving the controls over financial reporting including assessing its personnel needs and evaluating if the City has the necessary number of experienced and knowledgeable personnel required to undertake the City's financial reporting objectives. We also recommend that management consider the use of continuing professional education seminars and other training courses and reference guides to assist personnel in their understanding and application of generally accepted accounting principles.

We suggest that management evaluate and revise internal controls over identifying and recording non-routine accounting transactions including enhancing interdepartmental communications.

We also suggest that management review the processes, procedures, and controls used to prepare reconciliations and accruals. Significant accounts, including bank accounts, accounts receivable, accounts payable and capital assets should be reconciled on a timely basis. Additionally, we suggest that management evaluate the process used to complete the year end trial balance and revise policies and procedures to ensure that all areas are reviewed and adjusted as part of this process.

**Corrective Action Plan/Management's Response**

In May 2013 the City engaged a consulting firm with expertise in municipal finance to assess and evaluate the department and to make recommendations on the appropriate organizational structure and level of staffing needed to expertly manage a large, complex municipal finance operation. The City expects preliminary recommendations to be available in time to implement organization and staffing changes as part of its FY14 operating budget. The City has also hired an internal auditor to assist in finding other control issues that the City may have.

**Summary Schedule of Prior Audit Findings**

11-01 Financial Reporting

**Condition**

While performing our procedures, we noted a deficiency in the controls over financial reporting associated with the City's understanding of the Governmental Accounting Standards Board guidance related to governmental generally accepted accounting principles (GAAP) regarding the recording and reporting of certain financial transactions. We determined that a number of adjustments were required that were material to the financial statements.

**City of Topeka, Kansas**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended December 31, 2012**

Recommendation

Due to the complexities of accounting for many of the City's transactions, we recommended that management explore various alternatives for improving the controls over financial reporting including assessing its personnel needs and evaluating if the City has necessary number of experienced and knowledgeable personnel required to undertake the City's financial reporting objectives. We suggested that management review the processes, procedures, and controls used to prepare reconciliations of significant accounts on a timely basis.

Current Year Status

Comment repeated as finding 12-01.

**Section 3 – Federal Award Findings and Questioned Costs**

12-02 CDBG, CFDA No. 14.218 and Byrne Memorial Justice Assistance Grant CFDA No. 16.804 / 16.738 – Reporting

Criteria

Prime recipients are required to report the amount passed on to first-tier subrecipients under the Transparency Act.

Condition

The City does not have controls in place to report first-tier subawards required under the Transparency Act.

Cause

The City does not have controls in place to identify first-tier subawards that are required to be reported under the Transparency Act.

Effect

The City is not in compliance with the reporting requirements of the grant.

Questioned Costs

\$ -0-

Recommendation

We recommend that the City develop formal procedures requiring employees to report all first-tier subawards in excess of \$25,000 to FSRS.gov as required by the Federal Funding Accountability and Transparency Act.

Corrective Action Plan/Management's Response

The City has implemented a monthly process ensuring that the Finance Department staff is aware of new sub-awards over \$25,000 so reports can be submitted. The City sought but never received guidance from the grantor, HUD, on required reporting. Finance staff has retroactively reported all known sub-awardees as of this publication.

12-03 Highway Planning and Construction, CFDA No. 20.205 – Special Tests and Provisions

Criteria

Proper controls over financial reporting include an adequate system for preparing the schedule of expenditures of federal awards (SEFA) including identifying those grants under the American Recovery and Reinvestment Act (Recovery Act).

**City of Topeka, Kansas**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended December 31, 2012**

Condition

The original SEFA provided to us did not properly identify grant funding received from the Recovery Act for the City's Landon Trail Extension Project.

Cause

The City does not have the proper controls implemented in identifying and reporting Recovery Act funding separately on the SEFA as required. An amendment to the funding agreement changed the project funding from a non-recovery act sources to recovery act sources. This change was not known to City personnel responsible for preparing the SEFA.

Effect

Grant awards received from Recovery Act funds were not properly reported on the SEFA. The 2011 Single Audit Report has been reissued to include the Highway Planning and Construction program as a major program.

Recommendation

We recommend the City implement a process to better identify and report Recovery Act funding including enhanced communication between departments when grant funding is received or when funding changes occur.

Corrective Action Plan/Management's Response

The City believes that this error was the result of an unusual set of facts that are unlikely to be repeated. When approved, this project was funded with State of Kansas dollars and was not subject to ARRA reporting requirements. In the midst of the project, the State approached the City's project manager about substituting Federal (ARRA) money for the State money originally pledged. The City's project manager was unaware of the Federal reporting requirements, and because the amount of funding did not change, the change was not submitted through the normal grant approval process. Finance Department staff has provided education to City project managers to ensure that a similar situation does not occur in the future.

**Summary Schedule of Prior Audit Findings**

11-02 Byrne Memorial Justice Assistance Grant, CFDA No. 16.804 / 16.738 and Energy Efficiency, CFDA No. 81.128 – Suspension and Debarment

Condition

City personnel did not perform procedures to determine if the vendors used on federally funded projects were suspended or debarred before contracts were executed. In addition, the contracts did not contain suspension and debarment language.

Recommendation

We recommended that the City develop formal procedures requiring personnel to verify that vendors are not listed on [www.epls.gov](http://www.epls.gov) prior to entering into contracts with them and to document this search in grant files. We also recommended that the City add suspension and debarment language to contracts for federally funded projects.

Current Status

Recommendation implemented

11-03 Community Development Block Grant, CFDA No. 14.218 – Reporting

Condition

City personnel did not follow guidance under the Federal Funding Accountability and Transparency Act (the Act). The Act's requirements pertain to recipients (the City) of grants or cooperative agreements who make first-tier subawards.

**City of Topeka, Kansas**  
**Schedule of Findings and Questioned Costs (continued)**  
**For the Year Ended December 31, 2012**

Recommendation

We recommended the City develop formal procedures to comply with the Act's reporting requirements.

Current Status

Comment repeated as 12-02

11-04 Community Development Block Grant (CDBG), CFDA No. 14.218 – Program Income

Condition

One of the properties selected for testing was funded by both CDBG and another federal loan program. Program income related to the property was split based on the loans from CDBG and the other program. The program income related to the CDBG program was not correctly applied to the CDBG program.

Recommendation

We recommended that City review procedures for properly recording program income.

Current Status

Recommendation implemented

11-05 Highway Planning and Construction, CFDA No. 20.205 – Special Tests and Provisions

Condition

The original SEFA provided to us did not properly identify grant funding received from the Recovery Act for the Landon Trail Extension Project.

Recommendation

We recommend the City implement a process to better identify and report Recovery Act funding including enhanced communication between departments when grant funding is received or when funding changes occur.

Current Status

Comment repeated as 12-03. The 2011 Single Audit Report has been reissued to report the Highway Planning and Construction Program as a major federal program.

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COMPLIANCE REPORTS

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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 Financial Statements  
Performed In Accordance With *Government Auditing Standards***

To the City Council  
City of Topeka, 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 City of Topeka, Kansas (the City) as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated June 25, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City'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 City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses.

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 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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as item 12-01 to be material weaknesses.

**Compliance and Other Matters**

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

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**The City's Response to the Finding**

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements 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 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.

Kansas City, Kansas  
June 25, 2013

*Cochran Head Vick & Co, P.A*



COCHRAN HEAD VICK & CO., P.A.

& Co

*Certified Public Accountants*

**Independent Auditor's Report On Compliance For Each Major Program  
And On Internal Control Over Compliance Required By OMB Circular A-133**

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To the City Council  
City of Topeka, Kansas

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

We have audited the City of Topeka, Kansas' (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of the City's major federal programs for the year ended December 31, 2012. The City'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 the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the City'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 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 City'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 City's compliance.

***Opinion on Each of the Major Federal Programs***

In our opinion, the City 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, 2012.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which 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 item 12-02 and 12-03. Our opinion on each major federal program is not modified with respect to these matters.

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The City's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City'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 City 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 City'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 OMB Circular A-133, 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 City'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 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 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. We did not identify any deficiencies in internal control over compliance that we consider 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 item 12-02 and 12-03 to be significant deficiencies.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City'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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Kansas City, Kansas  
June 25, 2013

