

CITY OF TOPEKA, KANSAS

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

FOR THE YEAR ENDED DECEMBER 31, 2010

**City of Topeka, Kansas
Single Audit Report
(OMB Circular A-133)
For the Year Ended December 31, 2010**

Table of Contents

	<u>Page Number</u>
Independent Auditor's Report on Schedule of Expenditures of Federal Awards	1
A copy of the City of Topeka, Kansas Basic Financial Statements for the year ended December 31, 2010 accompanies this report. The independent auditor's report and the financial statements are hereby incorporated by reference.	
Additional information:	
Schedule of Expenditures of Federal Awards	2-3
Notes to the Schedule of Expenditures of Federal Awards	4
Schedule of Findings and Questioned Costs	5-9
Compliance reports:	
Report on Internal Control Over Financial Reporting and Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	10-11
Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	12-13

CHV**COCHRAN HEAD VICK & CO., P.A.****& Co***Certified Public Accountants*

1333 Meadowlark Lane
Kansas City, KS 66102
(913) 287-4433
(913) 287-0010 FAX

**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, 2010, and have issued our report thereon dated January 27, 2012, which contained unqualified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the 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 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

July 9, 2012

Cochran Head Vick, P.A.

Other Offices

1251 NW Briarcliff Pkwy
Suite 125
Kansas City, MO 64116
(816) 453-7014
(816) 453-7016 FAX

400 Jules Street
Suite 415
St. Joseph, MO 64501
(816) 364-1118
(816) 364-6144 FAX

6700 Antioch Rd, Suite 460
Merriam, Kansas 66204
(913) 378-1100
(913) 378-1177 FAX

ADDITIONAL INFORMATION

City of Topeka, Kansas
 Schedule of Expenditures of Federal Awards
 For the Year Ended December 31, 2010

Grantor Agency	Federal CFDA		Current Year	Amount
	Number	Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Energy:				
ARRA-Energy Efficiency and Conservation Block Grant	81.128	DE-SC0002657	\$ 1,021,837	\$ -
Total U.S. Department of Energy			<u>1,021,837</u>	<u>-</u>
U.S. Environmental Protection Agency:				
Passed Through Kansas Department of Health and Environment: Capitalization Grants for Clean Water State Revolving Funds	66.458	C20 1270 01	2,195,677	-
Total U.S. Environmental Protection Agency			<u>2,195,677</u>	<u>-</u>
Executive Office of the President-Office of National Drug Control Policy:				
Passed Through Kansas Bureau of Investigation: Topeka Regional Task Force for High Intensity Drug Trafficking Area	95.001	G09MW003A	29,057	-
Topeka Regional Task Force for High Intensity Drug Trafficking Area	95.001	G10MW003A	32,607	-
Total Executive Office of the President-Office of National Drug Control Policy			<u>61,664</u>	<u>-</u>
U.S. Health and Human Services:				
Passed Through Shawnee Regional Prevention and Recovery Services, Inc. Substance Abuse and Mental Health Services	93.243		22,943	-
Total U.S. Health and Human Services			<u>22,943</u>	<u>-</u>
U.S. Department of Homeland Security:				
Assistance to Firefighters Grant	97.044	EMW-2009-FO-10658	32,000	-
Passed Through State of Kansas Adjutant General Department: FEMA Public Assistance Grant	97.036	FEMA DISASTER # 1885	33,139	-
Passed Through North Central Regional Planning Commission: State Homeland Security Program	97.073		2,215	-
Total U.S. Department of Homeland Security			<u>67,354</u>	<u>-</u>
U.S. Department of Housing and Urban Development:				
CDBG Entitlement Grants Cluster:				
2007 Community Development Block Grant	14.218	B-07-MC-20-0003	30,532	-
2009 Community Development Block Grant	14.218	B-09-MC-20-0003	159,439	-
2010 Community Development Block Grant	14.218	B-10-MC-20-0003	1,716,224	183,722
ARRA-Community Development Block Grant-Recovery	14.253	B-09-MY-20-0003	307,734	-
2005 Special Economic Development Initiative Grant	14.246	B-05-SP-KS-0084	7,000	-
Emergency Shelter Grants:				
2009 Emergency Shelter Grant	14.231	S-09-MC-20-0003	25,650	-
2010 Emergency Shelter Grant	14.231	S-10-MC-20-0003	52,847	48,476
2009 Fair Housing Grant	14.401	FF207K097016	19,245	-
Home Investment Partnerships Program:				
2008 Home Investment Partnerships Program	14.239	M-08-MC-20-0203	28,750	28,750
2009 Home Investment Partnerships Program	14.239	M-09-MC-20-0203	55,039	-
2010 Home Investment Partnerships Program	14.239	M-10-MC-20-0203	465,774	37,537
Program Income	14.239	M-10-MC-20-0203	83,329	
Shelter Plus Care Program:				
2009 Shelter Plus Care Grant	14.238	KS0022C7P030801	459,606	-
2010 Shelter Plus Care Grant	14.238	KS0022C7P030802	911,571	-
ARRA-Homeless Prevention and Rapid Re-Housing	14.257	S-09-MY-20-0003	386,702	-
Passed Through Kansas Department of Commerce:				
2009 Neighborhood Stabilization Program	14.228	09-NSP-019	860,915	-
Passed Through Kansas Housing Resource Corporation:				
2009 Emergency Shelter Grant	14.231	ESG-FFY2009	25,000	-
Total U.S. Department of Housing and Urban Development			<u>5,595,357</u>	<u>298,485</u>

City of Topeka, Kansas
Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010

Grantor Agency	Federal CFDA		Current Year	Amount
	Number	Grant Number	Expenditures	Passed Through to Subrecipients
U.S. Department of Justice:				
Byrne Memorial Justice Assistance Grant Program	16.738	2009-DJ-BX-0372	73,597	-
Enforcing Underage Drinking Laws Program	16.727	SP-2202-10	14,662	-
ARRA-COPS Hiring Recovery Program	16.710	2009RKWX0362	155,895	-
ARRA-Recovery Act Byrne Memorial Justice Assistance Grant Passed Through Office of the Governor:	16.804	2009-SB-B9-1610	349,075	275,656
2010 Federal Victims of Crime Act	16.575	10-VOCA-43	29,702	-
2011 Federal Victims of Crime Act	16.575	11-VOCA-43	11,955	-
Total U.S. Department of Justice			<u>634,886</u>	<u>275,656</u>
U.S. Small Business Administration:				
Heartland Park Topeka Infrastructure Improvement	59.000	SBAHQ-08-I-0136	483,791	-
Total U.S. Small Business Administration			<u>483,791</u>	<u>-</u>
U.S. Department of Transportation:				
Passed Through Kansas Department of Transportation:				
U.S. Department of Transportation Cluster				
State and Community Highway Safety	20.600	OP-993-10	28,494	-
State and Community Highway Safety	20.600	OP-993-11	7,270	-
Alcohol Impaired Driving Countermeasures Incentive Grants	20.601	AL-9082-10	6,989	-
Federal Highway Administration-Shunga 10th-Golden	20.205	TE-0235-01	413,036	-
Federal Highway Administration- I-70 Beautification	20.205	TE-0332-01	333,218	-
2009 Consolidated Planning Grant	20.505	L-0132-10	45,835	-
2010 Consolidated Planning Grant	20.505	L-0132-10	273,584	-
Total U.S. Department of Transportation			<u>1,108,426</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 11,191,935</u>	<u>\$ 574,141</u>

City of Topeka, Kansas
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2010

Note 1. Organization

The City of Topeka, Kansas, 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 of Topeka, Kansas, 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, Attachment F, 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 of Topeka, Kansas. 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, 2010.

Note 5. Outstanding Loans

The City has outstanding loans under the EPA Capitalized Grant from the State Revolving Loan Fund CFDA No. 66.458 totaling \$84,946,896 at December 31, 2010.

**City of Topeka, Kansas
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2010**

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
Material weaknesses identified. No significant deficiencies reported.

See Finding 10-01.

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.

See Findings 10-02 and 10-03.

Type Audit Report Issued on Compliance for Major Programs
Unqualified

Audit Findings
10-02 Energy Efficiency and Conservation Block Grant, CFDA #81.128, Davis Bacon Act
10-03 Energy Efficiency and Conservation Block Grant, CFDA #81.128, Suspension and Debarment

Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
14.218/14.253	CDBG Entitlement Grants Cluster
14.228	Neighborhood Stabilization Program
14.239	HOME Investment Partnerships Program
14.257	ARRA - Homelessness Prevention and Rapid Re-Housing Program
16.710	ARRA - COPS Hiring Recovery Program
16.804	ARRA - Edward Byrne Memorial Justice Assistance Grant
20.205	Highway Planning and Construction Program
81.128	ARRA - Energy Efficiency and Conservation Block Grant

Dollar Threshold Used to Distinguish Between Type A and Type B Program
\$335,758

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, 2010

Section 2 – Financial Statement Findings

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

10-01 – 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 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. Accordingly, a substantial number of adjustments to beginning net assets/fund balance were required. We consider this deficiency to be a material weakness in internal controls over financial reporting.

In addition, we determined that a number of other adjustments were required that were material 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.

- During 2010, the City implemented a new general ledger accounting package. We noted that during the accounting system conversion, many accounts were netted against each other when entered into the new system. This caused many different areas to be misstated in the City's general ledger and required significant adjustments.
- Reconciliations of significant accounts, including year-end accruals 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.
- We encountered difficulties in reconciling the City's capital assets to the underlying supporting documentation.

City of Topeka, Kansas
Schedule of Findings and Questioned Costs (continued)
For the Year Ended December 31, 2010

Effect

A significant number of adjustments were required that are material to the financial statements. These adjustments 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 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 review the processes, procedures, and controls used to prepare reconciliations and accruals. Significant accounts, including bank accounts, 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. We also recommend that the City continue to improve the processes and understanding related to the new financial reporting software that was implemented during 2010.

Management's Response

In August 2010, the City converted to a new financial accounting software package. As a result of the change in accounting software, complications were encountered in closing the fiscal year end and led to complications during the audit.

Cochran Head & Vick P.A. recommended that we change certain recognition and financial reporting changes to report certain items in accordance with GAAP. This included such items as sales tax revenue, municipal court revenue, and the accrual of sick leave balances. Management agreed and implemented the recommendations to properly record these items.

During the 2009, the City recorded certain easements using a methodology which management felt complied with the standard. However, it was determined in 2010 that the methodology used in estimating the value of the easements did not comply with the standard. Accordingly, management determined not to implement the retroactive reporting requirements of the standard.

Management will evaluate, review and revise the processes and procedures over financial reporting including continued understanding and utilization of our new accounting software package. The Finance Department will consider continuing professional education seminars opportunities and provide additional training for personnel as budget constraints allow in 2012 and beyond.

City of Topeka, Kansas
Schedule of Findings and Questioned Costs (continued)
For the Year Ended December 31, 2010

Summary Schedule of Prior Audit Findings

09-01 Financial Reporting

Condition

A significant control deficiency exists in the design and operation of internal control due to a lack of adequate documentation of accounting procedures and the components of internal control.

Current Year Status

Comment repeated as finding 10-01.

Section 3 – Federal Award Findings and Questioned Costs

10-02 Energy Efficiency and Conservation Block Grant, CFDA #81.128, Davis Bacon Act

Condition

While performing our testing related to construction expenditures, it was noted that the City was not monitoring Davis Bacon Act requirements. Subsequently, the City obtained the required information.

Criteria

The Davis-Bacon Act requires that contractors on federally funded projects pay employees at or above prevailing wage rates.

Cause

The City does not have controls in place to verify if contractors are complying with Davis Bacon Act requirements.

Effect

The City could potentially not be reimbursed from the federal government.

Questioned Costs

\$ -0-

Recommendation

Recommend that the City develop formal procedures for monitoring compliance with the Davis Bacon Act including the receipt, review and retention of certified payroll information from contractors.

Management's Response

Due to personnel changes in 2010, these duties were not reassigned to another City employee. We have taken corrective action to designate appropriate personnel to perform the monitoring requirements with the Davis Bacon Act.

City of Topeka, Kansas
Schedule of Findings and Questioned Costs (continued)
For the Year Ended December 31, 2010

10-03 Energy Efficiency and Conservation Block Grant, CFDA #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.

Criteria

Federal regulations require that when a non-federal entity enters into an agreement with another entity, they must verify that the other entity is not suspended, debarred or otherwise excluded from receiving federal funds.

Cause

The City does not have controls in place to verify if vendors used on the City's federally funded projects have been suspended or debarred.

Effect

The City could potentially enter into a contract with a suspended or debarred vendor and therefore not be reimbursed from the federal government.

Questioned Costs

\$ -0-

Recommendation

Recommend that the City develop formal procedures requiring personnel to verify that vendors are not listed on www.epls.gov prior to entering into contracts with them and to document this search in grant files.

Management's Response

HND staff had been checking the suspension and debarment list but they failed to document their verifications. Formal procedures will be established to formally document these reviews.

Summary Schedule of Prior Audit Findings

None

COMPLIANCE REPORTS



1333 Meadowlark Lane
Kansas City, KS 66102
(913) 287-4433
(913) 287-0010 FAX

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 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, 2010, which collectively comprise the City's basic financial statements and have issued our report thereon dated January 27, 2012. 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

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting 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 City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described as item 10-01 in the accompanying schedule of findings and questioned costs to be material weaknesses.

Other Offices

1251 NW Briarcliff Pkwy
Suite 125
Kansas City, MO 64116
(816) 453-7014
(816) 453-7016 FAX

400 Jules Street
Suite 415
St. Joseph, MO 64501
(816) 364-1118
(816) 364-6144 FAX

6700 Antioch Rd, Suite 460
Merriam, Kansas 66204
(913) 378-1100
(913) 378-1177 FAX

Compliance and Other Matters

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

We noted certain other matters that we reported to management of the City in a separate letter dated January 27, 2012.

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the City's response and, accordingly, we express no opinion on it.

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

January 27, 2012

Cochran Herd Vickels, P.A.



COCHRAN HEAD VICK & CO., P.A.

& Co

Certified Public Accountants

1333 Meadowlark Lane
Kansas City, KS 66102
(913) 287-4433
(913) 287-0010 FAX

Independent Auditor's Report on Compliance with Requirements that Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133

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

Compliance

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 a direct and material effect on each of the City's major federal programs for the year ended December 31, 2010. 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. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City'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 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. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the 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, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, 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 items 10-02 and 10-03.

Internal Control Over Compliance

Management of the City 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 City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance 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.

Other Offices

1251 NW Briarcliff Pkwy
Suite 125
Kansas City, MO 64116
(816) 453-7014
(816) 453-7016 FAX

400 Jules Street
Suite 415
St. Joseph, MO 64501
(816) 364-1118
(816) 364-6144 FAX

6700 Antioch Rd, Suite 460
Merriam, Kansas 66204
(913) 378-1100
(913) 378-1177 FAX

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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 10-02 and 10-03. 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.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the City's responses and, accordingly, we express no opinion on the responses.

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

July 9, 2012

Codrin Herz V. J. K. P., P.A.