

Room 4561

June 13, 2006

Mr. Neal L. Patterson
Chief Executive Officer
Cerner Corporation
2800 Rockcreek Parkway
North Kansas City, MO 64117

Re: Cerner Corporation
Form 10-K for Fiscal Year Ended December 31, 2005
Filed March 16, 2006
Form 8-K Filed on February 2, 2006
Form 8-K Filed on April 30, 2006
File No. 000-15386

Dear Mr. Patterson:

We have reviewed the above referenced filings and have the following comments. Please note that we have limited our review to only your financial statements and related disclosures and do not intend to expand our review to other portions of your document. We may ask you to provide us with supplemental information so we may better understand your disclosure. Please be as detailed as necessary in your explanation. After reviewing this information, we may raise additional comments.

Please understand that the purpose of our review process is to assist you in your compliance with the applicable disclosure requirements and to enhance the overall disclosure in your filing. We look forward to working with you in these respects. We welcome any questions you may have about our comments or any other aspect of our review. Feel free to call us at the telephone numbers listed at the end of this letter.

Form 10-K for the Fiscal Year Ended December 31, 2005

Critical Accounting Policies

Software Development Costs, page 28

1. Tell us how you considered the guidance in SEC Release 33-8350, Section V, when preparing your critical accounting policy disclosure, which requires that such disclosure supplement, not duplicate, the description of accounting policies that are already disclosed in the notes to the financial statements. In this respect, consider expanding your policy to disclose the accounting estimates or assumptions involved in this critical accounting policy. For example, consider addressing in your disclosure all such estimates or assumptions involved in your evaluation of the software development costs at each balance sheet date (i.e. comparing unamortized costs to net realizable value) such as;. how you arrived at the net realizable value (NRV), how accurate the estimate of NRV has been in the past, how much the estimate of NRV has changed in the past, whether the estimate of NRV is reasonably likely to change in the future, when technological feasibility has been established and the basis for a five year amortization period.
2. You have capitalized a significant portion of your software development costs in fiscal years 2003 through 2005 which appear to be related to new product releases and enhancements as disclosed in the business section of your filing. Clarify how you determine when technological feasibility has been established. Please provide an analysis of each new product release or enhancement capitalized in fiscal year 2003, 2004 and 2005 which provides the total amount capitalized, the date technological feasibility was established and the date the product or enhancement was available for general release to customers.

Item 9A. Controls and Procedures, page 30

3. We note your disclosure that your CEO and CFO “have concluded that, as of the Evaluation Date, these disclosure controls and procedures were effective to ensure that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities and would be disclosed on a timely basis.: Confirm, if true, that your officers concluded that the Company’s disclosure controls and procedures are designed, and are effective, to give reasonable assurance that the information required to be disclosed by the Company in reports that it files under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC. Also confirm, if true, that your officers concluded that your disclosure controls and procedures are also effective to ensure that information required to be disclosed in the reports that you file or submit under the Exchange Act is accumulated and communicated to your

management, including your chief executive officer and chief financial officer, to allow timely decisions regarding required disclosure. Tell us how you considered including this information under Item 9A. We refer you to Exchange Act Rule 13a-15(e).

4. We note your statement that a “control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the internal control system are met.” Please confirm, if true, that your disclosure controls and procedures are *designed to* provide reasonable assurance of achieving their objectives and that your principal executive officer and principal financial officer concluded that your disclosure controls and procedures are effective at that reasonable assurance level. Tell us how you considered including this information under Item 9A. Please refer to Section II.F.4 of Management’s Reports on Internal Control Over Financial Reporting and Certification of Disclosure in Exchange Act Periodic Reports, SEC Release No. 33-8238, available on our website at <http://www.sec.gov/rules/final/33-8238.htm>.

Note 1. Summary of Significant Accounting Policies

(c) Revenue Recognition, page 44

5. We note that you apply the guidance in SOP 97-2 (as amended) as well as SAB 101/104 and EITF 00-21 to your revenue arrangements. We further note that your sales transactions include various combinations of software, services and hardware. Describe the transactions or product / service offerings to which you apply SOP 97-2 vs. SAB 101/104 and EITF 00-21. Specifically describe how you apply the guidance in EITF 00-21 for your arrangements that may include non-SOP 97-2 elements (e.g., computer equipment). Refer to paragraph 4 of EITF 00-21.
6. We note your disclosure that implementation and consulting services include database consulting, system configuration, project management, testing assistance, network consulting, post conversion review and application management services. We further note your statement that “implementation and consulting services generally are not considered essential to the functionality of the software, and thus does not impact the timing of the software license recognition, unless software license fees are tied to implementation milestones. In those instances, the portion of the software license fee tied to implementation milestones is deferred until the related milestone is accomplished and related fees become billable and non-forfeitable.” Please address the following:
 - a. Tell us what authoritative accounting literature is applied to revenue recognition for these services. In this regard, it appears that you have

- concluded that these services fall outside of the scope of SOP 97-2. Please advise.
- b. Tell us how these types of services are accounted for when sold as part of multiple-element arrangements subject to contract accounting. Clarify whether percentage-of-completion is applied to these services, or whether they are accounted for separately.
 - c. Tell us how you considered the guidance in paragraphs 89 – 91 of SOP 97-2 when concluding that software license fees should be deferred when tied to implementation milestones.
7. We note your disclosure that managed services are marketed under long-term arrangements (generally 5-10 years). We further note your statement that “because vendor-specific objective evidence for hosting and managed services is established through renewal rates in the arrangements, the Company uses the residual method to recognize revenue for the software element. Describe in detail the renewal rates and terms. Specifically, tell us whether customers are offered renewals for periods that are commensurate with the original contract. We refer you to AICPA Technical Practice Aid 5100.52.
8. We note your statement that you have periodically provided long-term financing options and provided extended payment terms to your customers. Tell us how these terms impact the timing of revenue recognition. Also tell us how you considered including this information in your accounting policy disclosure.
9. We note that certain of your receivables have been assigned on a non-recourse basis to third party financing institutions and have been accounted for as ‘true sales’ as defined by SFAS 140. Tell us whether any servicing assets or liabilities have been recognized in connection with this transaction and where they are classified on your balance sheet. Also tell us how you considered the disclosure requirements of paragraph 17 of SFAS 140. Also tell us how you considered the guidance in paragraph 9 of SFAS 140 in determining that sale treatment is appropriate.

Note 2. Business Acquisitions and Divestiture, page 51

10. Tell us how you considered the guidance in paragraph 51(e) of SFAS 141, which requires that you disclose a condensed balance sheet disclosing the amount assigned to each major asset and liability caption of the acquired entity at the acquisition date. In this regard, provide us with a more detailed analysis of the purchase price allocation for the Medical Division of VitalWorks, Inc. Also tell us what consideration you gave to including this information in the notes to the consolidated financial statements.

11. We note your statement that the impact of not recording the \$4.8 million tax benefit in 2004 was not material to the annual consolidated financial statements. We further note the impact on net income for Q1'04, Fiscal 2004, Q3'05 and Fiscal 2005 was understated by 34% or \$0.07 per share, understated by 7% or \$0.06 per share, overstated by 18% or \$0.07 per share and overstated by 6% or \$0.06 per share, respectively. Provide us your analysis pursuant to SAB 99 to support your conclusion that a restatement is not necessary to annual or quarterly results impacted by this misstatement.

Exhibits 31.1 and 31.2

12. Note that the language of the certifications required by Item 601(b)(31) of Regulation S-K must be provided exactly as stated therein. See Release No. 34-46427 (Aug. 28, 2002) and the Division of Corporation Finance Staff Alert (Mar. 5, 2005) available on our website at www.sec.gov. Please confirm that Messrs Patterson and Naughton signed these certifications in their individual capacity. In preparing future 302 certifications, please note that the language of the certification may not be altered in any manner. In this regard, you should not include the title of the office held by the signatory in the first line of the certifications. This comment also applies to exhibits 31.1 and 31.2 to your Form 10-Q for the quarter ended April 1, 2006.

Form 8-K Filed on February 2, 2006 and Form 8-K Filed on April 30, 2006

13. We believe the non-GAAP Consolidated Statement of Earnings columnar format may create the unwarranted impression to investors that the non-GAAP Consolidated Statement of Earnings has been prepared under a comprehensive set of accounting rules or principles while also conveying undue prominence to a statement based on non-GAAP measures. Please remove that presentation, or explain to us in reasonable detail why its retention is justified in light of these concerns. As a substitute for this presentation format, you may consider presenting only individual non-GAAP measures (i.e., line items, subtotals, etc.) provided each one complies with Item 10 of Reg. S-K and the Division of Corporation Finance's Frequently Asked Questions Regarding Use of Non-GAAP Financial Measures, Question 8.

Please respond to these comments within 10 business days or tell us when you will provide us with a response. You may wish to provide us with marked copies of the amendment to expedite our review. Please furnish a cover letter with your amendment that keys your responses to our comments and provides any requested information. A detailed cover letter greatly facilitates our review. Please understand that we may have additional comments after reviewing your responses to our comments.

Mr. Neal L. Patterson
Cerner Corporation
June 13, 2006
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We urge all persons who are responsible for the accuracy and adequacy of the disclosure in the filing reviewed by the staff to be certain that they have provided all information investors require for an informed decision. Since the company and its management are in possession of all facts relating to a company's disclosure, they are responsible for the accuracy and adequacy of the disclosures they have made.

In connection with responding to our comments, please provide, in writing, a statement from the company acknowledging that:

- the company is responsible for the adequacy and accuracy of the disclosure in the filing;
- staff comments or changes to disclosure in response to staff comments do not foreclose the Commission from taking any action with respect to the filing; and
- the company may not assert staff comments as a defense in any proceeding initiated by the Commission or any person under the federal securities laws of the United States.

In addition, please be advised that the Division of Enforcement has access to all information you provide to the staff of the Division of Corporation Finance in our review of your filing or in response to our comments on your filing.

You may contact April Coleman, Staff Accountant, at (202) 551-3458, Thomas Ferraro, Senior Staff Accountant, at (202) 551-3225 or me at (202) 551-3730 if you have questions regarding these comments.

Sincerely,

Kathleen Collins
Accounting Branch Chief