CITY OF OLATHE, KS

SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2020

WITH

INDEPENDENT AUDITOR'S REPORT

AGH
CPAs & ADVISORS

CITY OF OLATHE, KS

SINGLE AUDIT REPORT

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INDEPENDENT AUDITOR'S REPORT

CITY OF OLATHE, KS

SINGLE AUDIT REPORT

Year Ended December 31, 2020

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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 Honorable Mayor and
Members of the City Council
City of Olathe, Kansas

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Olathe, Kansas (City) as of and for the year ended December 31, 2020, 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, 2021.

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.

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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency described in the accompanying schedule of findings and questioned costs as item 2020-001 that we consider to be a material weakness.

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.*

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.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

June 25, 2021
Wichita, Kansas

AGH CPAs & ADVISORS

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited the City of Olathe, Kansas' (City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended December 31, 2020. 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 federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the 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 the audit requirements of *Title 2 U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 Major Federal Program

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 other major federal programs for the year ended December 31, 2020.

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 the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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. 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.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We have issued our report thereon dated June 25, 2021, which contained unmodified 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 the Uniform Guidance 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 basic 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 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.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

June 25, 2021
Wichita, Kansas

CITY OF OLATHE, KS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Identifying Number	Expenditures	Subrecipient Amounts
U.S. Department of Housing and Urban Development				
Public and Indian Housing	14.850		$ 239,702	$ -
Housing Voucher Cluster:				
Section 8 Housing Choice Vouchers	14.871		3,701,625	-
Total Housing Voucher Cluster			3,701,625	-
Public Housing Capital Fund	14.872		8,766	-
COVID-19 Public Housing CARES Act Funding	14.PHC		14,404	-
COVID-19 HCV CARES Act Funding	14.HCC		1,848	-
Passed Through Johnson County, Kansas:				
CDBG-Entitlement Grants Cluster:				
Community Development Block Grant	14.218	2014 / 2017 / 2018 / 2019 / 2020	416,727	12,545
Total CDBG-Entitlement Grants Cluster			416,727	12,545
Total U.S. Department of Housing and Urban Development			4,383,072	12,545
U.S. Department of Justice				
Byrne Memorial Justice Assitance Grant	16.738		26,134	-
Total U.S. Department of Justice			26,134	-
U.S. Department of Transportation				
Passed Through Kansas Department of Transportation (K-DOT):				
Highway Planning and Construction Cluster:				
Highway Planning and Construction	20.205	N-064101/N-064301/N-062801 N-061801/N-064201U-017701 TE-043101/N-061801	4,256,849	-
Total Highway Planning and Construction Cluster			4,256,849	-
Highway Safety Cluster:				
State and Community Highway Safety	20.600	SP-1300-19 / SP-1300-20	13,987	
National Priority Safety Programs	20.616	SP-1701-19 / SP-1701-20	6,325	-
Total Highway Safety Cluster			20,312	-
Passed Through Kansas City Area Transportation Authority (KCATA):				
Transit Services Programs Cluster:				
5310 Grant	20.513	MO-16-X046	98,804	-
5310 Grant Group Trip	20.513	MO-16-X046	5,000	
Total Transit Services Programs Cluster			103,804	-
Total U.S. Department of Transportation			4,380,965	-
U.S. Department of Treasury				
Passed Through Johnson County:				
COVID-19 CARES Funding	21.019		4,265,009	-
Total U.S. Department of Health and Human Services			4,265,009	-
U.S. Department of Health and Human Services				
Passed Through Kansas Department of Aging & Disability Services:				
Communities That Care	93.276		31,374	-
Total U.S. Department of Health and Human Services			31,374	-
U.S. Department of Homeland Security				
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083	EMW-2017-FH-00424	665,777	-
Passed Through Mid-America Regional Council (MARC):				
Urban Area Security Initiative	97.067	PO-003708	14,844	-
Urban Area Security Initiative	97.067	PO-003272	46,134	-
Total U.S. Department of Homeland Security			726,755	-
Total Expenditures of Federal Awards			$ 13,813,309	$ 12,545

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

CITY OF OLATHE, KS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2020

1. Organization

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

2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting. The information presented in this schedule is in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards.* Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in, the preparation of the basic financial statements. The City elected not to use the 10% de minimis indirect cost rate.

3. Local Government Contributions

Local cost sharing 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.

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 positions at December 31, 2020.

5. Outstanding Loans

The City had the following loan balance outstanding at December 31, 2020. New loans made during the year are included in the federal expenditures presented in the schedule.

Program Title	CFDA Number	Amount Oustanding
Community Development Block Grant	14.218	$ 1,759,985
HOME Investment Partnerships Program	14.239	2,067,900
		$ 3,827,885

6. Pass Through Entity Numbers

Grant numbers are not listed for several grants on the Schedule of Expenditures of Federal Awards. For those grants, pass through grantors have not assigned passthrough numbers to the passthrough grants noted in the Schedule of Expenditures of Federal Awards.

CITY OF OLATHE, KS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2020

SECTION I – SUMMARY OF AUDITOR'S RESULTS

FINANCIAL STATEMENTS

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified? X Yes ___ No
- Significant deficiencies identified that are not considered to be material weaknesses? ___ Yes X None reported
- Noncompliance material to financial statements noted? ___ Yes X No

FEDERAL AWARDS

Internal control over major programs:

- Material weaknesses identified? ___ Yes X No
- Significant deficiencies identified that are not considered to be material weaknesses? ___ Yes X None reported

Any audit findings disclosed that are required to be reported in accordance with section 516(a) of the Uniform Guidance: ___ Yes X No

Type of auditor's report issued on compliance for major programs: See below

CFDA Number	NAME OF FEDERAL PROGRAM	Opinion
14.218	*Community Development Block Grant*	Unmodified
21.019	*CARES Grant*	Unmodified

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

Auditee qualified as low-risk auditee? X Yes ___ No

CITY OF OLATHE, KS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2020

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2020-001 (Material Weakness):

Condition: We identified material adjustments related to accounts payable, retainage payable, utilities receivable, loans receivable, deferred amounts on refunding, and fund balance.

Criteria: Management is responsible for designing internal controls that are sufficient to ensure that year-end closing entries are adequately reviewed and approved and that resulting financial statement balances are appropriately reported.

Context: After review of accounts payable, retainage payable, utilities receivable, loans receivable, deferred amounts on refunding, and fund balance amounts, adjusting journal entries were required to properly record related transactions and correctly present the associated balances at year end.

Cause: Internal controls over the year-end close process were not sufficient to identify the entries noted above.

Effect: Financial statement balances could be materially misstated.

Recommendations: We recommend that management review and update policies and procedures related to the year-end close process to ensure that adjusting entries are appropriately reviewed and recorded.

Views of Responsible Officials/ Planned Corrective Actions (Unaudited): The City experienced a number of staffing departures in 2020/2021 which included several senior Finance positions. The staffing turnover in Finance, combined with the impact of the COVID-19 pandemic, contributed to steps in the year-end process not being fully completed by Finance personnel. Management concurs with the findings of this report and will improve by filling staff vacancies, enhancing training, and procuring modern financial software to replace an aging system that is no longer supported.

CITY OF OLATHE, KS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2020

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None were reported.

CITY OF OLATHE, KS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2020

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None were reported.