

***CITY OF OVERLAND PARK, KS***

SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2018

WITH

INDEPENDENT AUDITOR'S REPORT



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**CITY OF OVERLAND PARK, KS**

**SINGLE AUDIT REPORT**

Year Ended December 31, 2018

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS  
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board  
**City of Overland Park, KS**

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, each major fund, and the aggregate remaining fund information of the City of Overland Park, KS (City) as of and for the year ended December 31, 2018, 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, 2019.

**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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be a material weakness. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 that we consider to be a significant deficiency.

**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*.

## **The City's Response to Findings**

The City's response to the findings 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.

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

June 25, 2019  
Wichita, Kansas

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

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INDEPENDENT AUDITOR'S REPORT

To the Governing Board  
**City of Overland Park, KS**

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

We have audited City of Overland Park, KS (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, 2018. 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, 2018.

**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 City as of and for the year ended December 31, 2018, and have issued our report thereon dated June 25, 2019, which contained an unmodified opinion of those financial statements. Our audit report includes a reference to other auditors. Our audit was conducted for the purpose of forming an opinion of the financial statements as a whole. 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 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 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 the financial statements themselves, and other addition 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 financial statements as a whole.

*Allen, Gibbs & Houlik, L.L.C.*

CERTIFIED PUBLIC ACCOUNTANTS

June 25, 2019  
Wichita, Kansas

**CITY OF OVERLAND PARK, KS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended December 31, 2018

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**SECTION I – SUMMARY OF AUDITOR'S RESULTS**

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**FINANCIAL STATEMENTS**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weaknesses identified?        Yes   X   No
- Significant deficiencies identified that are not considered to be material weaknesses?   X   Yes        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

<u>CFDA Number</u>	<u>NAME OF FEDERAL PROGRAM</u>	<u>Opinion</u>
<i>20.205</i>	<i>Highway Planning and Construction</i>	<i>Unmodified</i>

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

Auditee qualified as low-risk auditee?        Yes   X   No



# CITY OF OVERLAND PARK, KS

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2018

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### SECTION II – FINANCIAL STATEMENT FINDINGS

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#### **Finding 2018-001 (Significant Deficiency): Accounts Payable and Expenditures**

**Condition:** Lack of proper controls surrounding certain transaction cycles related to accounts payable and expenditures.

**Criteria:** Generally accepted accounting principles require that expenditures should be recognized during the accounting period in which the fund liability is incurred (i.e., when goods or services are received).

**Questioned Costs:** Unknown

**Context:** 1) For the year ended December 31, 2018, there were two payments that were subject to analysis by City staff, one of which was improperly excluded from the accounts payable balance at year-end, and one of which was improperly included in the accounts payable balance at year-end. The net result of these errors was an understatement of accounts payable and expenditures in the amount of \$25,647.

2) It is the City's practice to automatically accrue cash outlays on encumbered purchase orders resulting in premature recognition of expenditures on a GAAP basis. An audit adjustment to reduce accounts payable and expenditures in the amount of \$754,383 was posted to correct this error.

3) An audit adjustment in the amount of \$127,335 was posted to reduce accounts payable balances for amounts that were accrued in a prior-year, but which had not been properly reversed.

**Cause:** 1) As part of the City's year-end process, all disbursements made within the first 90 days subsequent to year-end that are not associated with an encumbered purchase order are manually reviewed to determine whether accrual into the previous year is warranted. This review failed to afford proper treatment to two transactions.

2) The City automatically accrues all amounts paid against encumbrances within the first 90 days subsequent to year-end.

3) A reconciliation of the accounts payable sub-ledger to the general ledger was not completed by City staff.

**Effect:** Errors or misinterpretation of GAAP could result in financial statements that are materially misstated.

**Recommendations:** 1) We recommend the City implement a procedure improve the efficiency and effectiveness of the subsequent disbursements transaction review process.

**CITY OF OVERLAND PARK, KS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended December 31, 2018

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

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2) We recommend that the City discontinue the practice of automatically accruing all amounts paid against encumbrances within the first 90 days subsequent to year-end. Amounts paid against encumbrances should be included in the population of transactions subject to review.

3) We recommend that the City implement a process to periodically reconcile the accounts payable sub-ledger, or aging report, to the general ledger to ensure that the general ledger balance is adequately supported by legitimate payable balances.

**Views of Responsible Officials/ Planed Corrective Actions (Unaudited):**

- 1) Finance will develop improved year-end procedures to accrue proper expenditures into the previous year that will include incorporating enhanced functionality from the new enterprise resource planning (ERP) software once implemented.
- 2) Finance will discontinue automatically accruing all amounts paid against encumbrances within the first 90 days subsequent to year-end.
- 3) Finance will use aging reports within the new ERP software to help validate accounts payable balances at year-end.

**CITY OF OVERLAND PARK, KS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended December 31, 2018

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

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None were reported.

**CITY OF OVERLAND PARK, KS**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

Year Ended December 31, 2018

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**SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**

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None were reported.

# CITY OF OVERLAND PARK, KS

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2018

Federal Grantor / Pass-Through Grantor / Program Title	Cluster #	CFDA #	Pass Thru Number	Total Federal Expenditures	Amounts Provided to Subrecipients
<b>U.S. Department of Housing and Urban Development</b>					
Community Development Block Grants/Entitlement Grants					
Direct Funding:					
Community Development Block Grant	1	14.218	B-17-MC-20-0002	\$ 505,900	\$ 170,163
Community Development Block Grant	1	14.218	B-18-MC-20-0002	45,050	-
			Direct Total:	550,950	170,163
			Program Total:	550,950	170,163
<b>Total U.S. Department of Housing and Urban Development</b>				<b>550,950</b>	<b>170,163</b>
<b>U.S. Department of Justice</b>					
Edward Byrne Memorial Justice Assistance Grant Program					
Passed Through Johnson County:					
FFY 2017 Byrne/JAG Grant		16.738	2017-DJ-BX-0042	16,920	-
			Pass Through Total:	16,920	-
			Program Total:	16,920	-
Equitable Sharing Program					
Passed Through Johnson County:					
Equitable Sharing Program		16.922	MEP-M-14-D31-P	131,049	-
			Pass Through Total:	131,049	-
			Program Total:	131,049	-
<b>Total U.S. Department of Justice</b>				<b>147,969</b>	<b>-</b>
<b>U.S. Department of Transportation</b>					
Highway Planning and Construction					
Passed Through the Kansas Department of Transportation:					
Metcalf Ave - 159th St to 167th St	2	20.205	N-0648-01	2,459,783	-
Pedestrian/Bike Path Improvements in Overland Park	2	20.205	N-0651-01	91,012	-
			Pass Through Total:	2,550,795	-
			Program Total:	2,550,795	-
State and Community Highway Safety					
Passed Through the Kansas Department of Transportation:					
2018 Teen Angel (EUDL)	3	20.600	SP-2254-18	12,778	-
2018 Kansas Step Grant	3	20.600	SP-1300-18	17,086	-
2018 KDOT Total Station Grant	3	20.600	SP-1704-18	26,160	-
2019 Kansas Step Grant	3	20.600	SP-0391-19	6,535	-
			Pass Through Total:	62,559	-
			Program Total:	62,559	-
National Priority Safety Programs					
Passed Through the Kansas Department of Transportation:					
2017 KDOT Nighttime Seatbelt Enforcement	3	20.616	AL-9090-18/SP-4704-18	5,447	-
2018 KDOT Sobriety Ck Pt	3	20.616	OP-1471-18/SP-4505-18	12,498	-
			Pass Through Total:	17,945	-
			Program Total:	17,945	-
<b>Total U.S. Department of Transportation</b>				<b>2,631,299</b>	<b>-</b>
<b>Total Expenditures of Federal Awards</b>				<b>\$ 3,330,218</b>	<b>\$ 170,163</b>
Clusters					
1 - CDBG - Entitlement Grants Cluster		Cluster Total		\$ 550,950	
2 - Highway Planning and Construction Cluster				\$ 2,550,795	
3 - Highway Safety Cluster				\$ 80,504	

## **CITY OF OVERLAND PARK, KS**

### **NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended December 31, 2018

#### **Note 1. Organization**

The City of Overland Park, KS (City) is the recipient of several federal grants. All federal awards received are included on the Schedule of Expenditures of Federal Awards.

#### **Note 2. Basis of Presentation**

The accompanying schedule of expenditures of federal awards (Schedule) includes the federal award activity of the City under programs of the federal government for the year ended December 31, 2018. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the City, it is not intended to and does not present the financial position, changes in net position or cash flows of the City.

#### **Note 3. Summary of Significant Accounting Policies**

Expenditures reported on the accompanying Schedule is reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations*, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

#### **Note 4. 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.

#### **Note 5. Additional Audits**

Grantor agencies reserve the right to conduct additional audits of the City's grant programs for economy, efficiency, and program results, which 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, 2018.