

***CITY OF OLATHE, KS***

SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2022

WITH

INDEPENDENT AUDITOR'S REPORT



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**CITY OF OLATHE, KS**

**SINGLE AUDIT REPORT**

Year Ended December 31, 2022

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*This is a copy of the City's annual financial statements reproduced from an electronic file. An original copy of this document is available at the City's office.*

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*

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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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated May 31, 2023.

**Report on 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) as a basis for designing 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on 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 financial statements. 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

Overland Park, KS  
May 31, 2023

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

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

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

#### **Qualified and Unmodified Opinions**

We have audited the City of Olathe, Kansas' (City) compliance with the types of compliance requirements identified as subject to audit 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, 2022. 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.

#### **Qualified Opinion on Section 8 Housing Choice Vouchers**

In our opinion, except for the noncompliance described in the Basis for Qualified and Unmodified Opinions section of our report, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on the Section 8 Housing Choice Voucher program for the year ended December 31, 2022.

#### **Unmodified Opinion on Each of the Other 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 other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended December 31, 2022.

#### **Basis for Qualified and Unmodified Opinions**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified and unmodified opinions on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

### *Matters Giving Rise to Qualified Opinion on Section 8 Housing Choice Vouchers*

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding Section 8 Housing Choice Vouchers as described in findings 2022-001 for reporting, 2022-002 for eligibility, and 2022-003 for special tests: selection from the waiting list.

Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to that program.

### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the City's federal programs.

### **Auditor's Responsibility for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Other Matters**

The results of our auditing procedures disclosed additional instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the

accompanying schedule of findings and questioned costs as items 2022-004 and 2022-005. Our opinion on each major federal program is not modified with respect to this matter.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's responses to the noncompliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### **Report on Internal Control Over Compliance**

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as discussed below, we did identify certain deficiencies in internal control over compliance that we consider to be material weaknesses and 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 consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2022-001, 2022-002, and 2022-003 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 items 2022-004 and 2022-005 to be significant deficiencies.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

*Government Auditing Standards* requires the auditor to perform limited procedures on the City's responses to the internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated May 31, 2023, 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 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.

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

Overland Park, KS  
May 31, 2023

**CITY OF OLATHE, KS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

Year Ended December 31, 2022

Federal Grantor/Pass-Through Entity/Program Title	Federal Assistance Number	Cluster	Grant Number or Pass-Through Entity Identifying Number	Expenditures	Subrecipient Amounts
<b>U.S. Department of Housing and Urban Development</b>					
<b>Direct Funding</b>					
Public and Indian Housing	14.850			\$ 293,071	\$ -
Section 8 Housing Choice Vouchers	14.871	1		3,754,029	-
Public Housing Capital Fund	14.872			382,263	-
<b>Passed Through Johnson County, Kansas</b>					
Community Development Block Grant/Entitlement Grants	14.218	2	2017 / 2018 / 2019 / 2020 / 2021 / 2022	807,590	-
<b>Total U.S. Department of Housing and Urban Development</b>				<b>5,236,953</b>	<b>-</b>
<b>U.S. Department of Justice</b>					
<b>Direct Funding</b>					
Public Safety Partnership and Community Policing Grants/COPS Community Policing Development Program	16.710			104,526	-
Bulletproof Vest Partnership Program	16.607			88,874	-
Public Safety Partnership and Community Policing Grants/COPS Hiring Program	16.710			10,845	-
Public Safety Partnership and Community Policing Grants/COPS LEMHWA Program	16.710			5,425	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738			133,693	80,984
<b>Total U.S. Department of Justice</b>				<b>343,363</b>	<b>- 80,984</b>
<b>U.S. Department of Transportation</b>					
<b>Passed Through Kansas Department of Transportation (K-DOT)</b>					
Highway Planning and Construction	20.205	3	N-0722-01 / N-0669-01	1,450,000	-
National Infrastructure Investments	20.933		46 N-0687-01	100,500	-
State and Community Highway Safety	20.600	4	SP-1300-19 / SP-1300-20	23,233	-
National Priority Safety Programs	20.616	4	SP-1701-19 / SP-1701-20	3,020	-
<b>Passed Through Kansas City Area Transportation Authority (KCATA)</b>					
Enhanced Mobility of Seniors and Individuals With Disabilities	20.513	5	MO-2017-011	87,598	-
<b>Total U.S. Department of Transportation</b>				<b>1,664,351</b>	<b>-</b>
<b>U.S. Department of Treasury</b>					
<b>Direct Funding</b>					
Coronavirus State and Local Fiscal Recovery Funds	21.027			10,206,860	-
<b>Total U.S. Department of Treasury</b>				<b>10,206,860</b>	<b>-</b>
<b>National Endowment for the Humanities</b>					
<b>Passed Through Humanities Kansas</b>					
Promotion of the Humanities Federal/State Partnership	45.129		S0-253126-17	12,025	-
<b>Total National Endowment for the Humanities</b>				<b>12,025</b>	<b>-</b>
<b>U.S. Department of Health and Human Services</b>					
<b>Passed Through Child Care Aware of Kansas</b>					
COVID-19 - Child Care and Development Block Grant	93.575	6		412,675	-
<b>Total U.S. Department of Health and Human Services</b>				<b>412,675</b>	<b>-</b>
<b>Executive Office of the President</b>					
<b>Direct Funding</b>					
High Intensity Drug Trafficking Areas Program	95.001			13,676	-
<b>Total Executive Office of the President</b>				<b>13,676</b>	<b>-</b>
<b>U.S. Department of Homeland Security</b>					
<b>Direct Funding</b>					
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		EMW-2017-FH-00424	93,724	-
<b>Passed Through Mid-America Regional Council (MARC)</b>					
Homeland Security Program/Urban Area Security Initiative	97.067		PO-003272	44,120	-
<b>Total U.S. Department of Homeland Security</b>				<b>137,844</b>	<b>-</b>
<b>Total Federal Assistance</b>				<b>\$ 18,027,747</b>	<b>\$ 80,984</b>
<b>Clusters:</b>					
1 - Housing Voucher Cluster	3,754,029				
2 - CDBG Entitlement Grants Cluster	807,590				
3 - Highway Planning and Construction Cluster	1,450,000				
4 - Highway Safety Cluster	26,253				
5 - Transit Services Program Cluster	87,598				
6 - CCDF Cluster	412,675				

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, 2022

**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, 2022.

**5. Outstanding Loans**

The City had the following loan balance outstanding at December 31, 2022. New loans made during the year are included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Amount Outstanding</u>
Community Development Block Grant	14.218	\$ 1,758,695
HOME Investment Partnerships Program	14.239	1,955,645
		<u>\$ 3,714,340</u>

**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, 2022

SECTION I – SUMMARY OF AUDITOR’S RESULTS

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?      Yes   X   None reported
- Noncompliance material to financial statements noted?      Yes   X   No

FEDERAL AWARDS

Internal control over major programs:

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

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

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

<u>Assistance Number</u>	<u>NAME OF FEDERAL PROGRAM</u>	<u>Opinion</u>
14.871	Section 8 Housing Choice Vouchers	Qualified
21.027	Coronavirus State and Local Fiscal Recovery Funds	Unmodified
93.575	Child Care and Development Fund Cluster	Unmodified

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 OLATHE, KS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended December 31, 2022

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**SECTION II – FINANCIAL STATEMENT FINDINGS**

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None reported.

CITY OF OLATHE, KS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2022

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SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

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**Finding 2022-001 – Assistance #14.871 – Section 8 Housing Choice Vouchers – Reporting (Material Weakness):**

**Condition:** A secondary review or approval of monthly and annual reporting submitted through HUD's voucher management system was not being performed. One of the annual reports (SEMAP) had calculation errors.

**Criteria:** Someone other than the preparer of the reports should be reviewing the submitted information.

**Questioned Costs:** N/A

**Context:** 3 of the 12 monthly financial reports and 62 annual performance reports were selected for review and did not contain evidence of a review or approval, and the SEMAP report was not reviewed and had calculation errors. The sample size was determined based upon guidelines provided by the AICPA which is not a statistically valid sample.

**Cause:** The Housing Authority did not have a policy that required a secondary review or approval of the reports prior to submission to HUD.

**Effect:** Information could be incorrectly reported or not timely reported to HUD.

**Recommendations:** We recommend that the Housing Authority update policies and procedures to ensure that monthly and annual reports are being reviewed by someone other than the preparer, and also that copies of the submissions, along with supporting documentation, are being maintained to support the information being submitted to HUD.

**Views of Responsible Officials (Unaudited):** Management acknowledges that secondary review of monthly and annual reports is a worthwhile internal control, and that there was a calculation error in one section of the annual SEMAP report. The Olathe Housing Authority will add secondary review of all portions of annual reporting to the Quality Control portion of the HCV procedures before the end of 2Q 2022. Secondary review of monthly reports was already adopted into the Quality Control portion of the HCV procedures in 3Q 2022. Management acknowledges that one of the monthly reports for 4Q 2022 is missing review documentation and is investigating the cause.

**Finding 2022-002 – Assistance #14.871 – Section 8 Housing Choice Vouchers – Eligibility (Material Weakness):**

**Condition:** A secondary review or approval of eligibility documentation was not being performed.

**Criteria:** Someone other than the initial preparer of the eligibility calculations should be reviewing the information to ensure that all appropriate documentation has been received and input correctly.

**CITY OF OLATHE, KS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended December 31, 2022

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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**Questioned Costs: N/A**

**Context:** Although the Housing Authority implemented a new policy in October 2022 to ensure quality control reviews were performed for all eligibility decisions going forward, none of the 60 files selected for testing contained evidence of review by someone other than the preparer. The sample size was determined based upon guidelines provided by the AICPA which is not a statistically valid sample.

**Cause:** The Housing Authority did not have a policy that required a secondary review or approval of eligibility documentation.

**Effect:** Eligibility and associated housing assistance payment amounts could be calculated incorrectly.

**Recommendations:** We recommend that the Housing Authority follow the new quality control policies and procedures implemented in the 4<sup>th</sup> quarter of 2022 to ensure that eligibility calculations are being reviewed by someone other than the preparer, and also that all required documentation is being maintained in tenant files.

**Views of Responsible Officials (Unaudited):** Management agrees that this finding has already been addressed as noted in the recommendation. This is the same exact finding as 2021-006 in the prior year's audit, which included a recommendation to add secondary review, which the Olathe Housing Authority implemented in 4Q 2022. While the new recommended control was implemented for all 4Q eligibility determinations, management understands that the files chosen for review were instead HCV files of voucher holders who began receiving rental assistance in 2022. Any applicant found eligible in 4Q 2022 did not begin receiving assistance until after receiving a voucher, signing a lease, and moving in, which did not occur until 1Q 2023. It is unfortunate that the auditors are required to once again choose files of HCV participants who had eligibility determined prior to implementing the recommended procedure change. Management understands that most of the HCV participant files that the auditors chose to review were from the exact same time period used during the prior year's audit which made this finding a foregone conclusion. Management agrees that the control recommended in 2022 was not implemented until 2022, and so it remains just as true today as it was last year that files from many years ago continue to lack the control implemented in 2022. Management recommends that if files from prior to 2022 will continue to be reviewed for this control, and that if this finding is going to be repeatedly included, that auditor staff always review the prior year's audit and always include an acknowledgement that the new secondary review control was implemented in 4Q 2022.

**Finding 2022-003 – Assistance #14.871 – Section 8 Housing Choice Vouchers – Special Tests: Selection from the Waiting List (Material Weakness):**

**Condition:** A secondary review of waiting list decisions was not being performed. In addition, it was noted that the wait list is only maintained for 3 years so evidence of wait list position for tenants that have been in the program for longer than 3 years could not be provided.

**CITY OF OLATHE, KS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended December 31, 2022

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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**Criteria:** Tenant selection must include requirements for applications and waiting lists, a description of the policies for selection of applicant from the waiting list, and policies for verification and documentation of information relevant to acceptance or rejections of an applicant.

**Questioned Costs:** N/A

**Context:** Although the Housing Authority implemented a new policy in October 2022 to ensure quality control reviews were performed for all waitlist decisions going forward, 46 of the 60 files selected for testing were for tenants that entered the program more than 3 years ago and therefore wait list support could not be provided. In addition, none of the tenant files contained evidence of review of the waitlist decision. The sample size was determined based upon guidelines provided by the AICPA which is not a statistically valid sample.

**Cause:** The Housing Authority did not have a policy that required a secondary review or approval of wait list documentation.

**Effect:** Improper wait list decisions could be made.

**Recommendations:** We recommend that the Housing Authority follow the new quality control policies and procedures implemented in the 4<sup>th</sup> quarter of 2022 to ensure that wait list documentation is being reviewed and approved, and also that a copy of the waitlist documentation be kept in each tenant file so that there is a historical record of the wait list process once the actual wait list is no longer being maintained.

**Views of Responsible Officials (Unaudited):** Management agrees that this finding has already been addressed as noted in the recommendation. This is the same exact finding as 2021-007 in the prior year's audit, which included a recommendation to add secondary review, which the Olathe Housing Authority implemented in 4Q 2022. While the new recommended control was implemented for all 4Q waiting list determinations, management understands that the files pulled for review were instead HCV files of voucher holders who began receiving rental assistance in 2022. Any eligible applicant pulled from the Waiting List in 4Q 2022 did not begin receiving assistance until after receiving a voucher, signing a lease, and moving in, which did not occur until 1Q 2023. It is unfortunate that the auditors are required to once again choose files of HCV participants who were pulled from the Waiting List prior to implementing the recommended procedure change. Management understands that most of the HCV participant files that the auditors chose to review were from the exact same time period used during the prior year's audit which made this finding a foregone conclusion. Management agrees that the control recommended in 2022 was not implemented until 2022, and so it remains just as true today as it was last year that files from many years ago continue to lack the control implemented in 2022. Management recommends that if files from prior to 2022 will continue to be reviewed for this control, and that if this finding is going to be repeatedly included, that auditor staff always review the prior year's audit and always include an acknowledgement that the new secondary review control was implemented in 4Q 2022.



**CITY OF OLATHE, KS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended December 31, 2022

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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**Finding 2022-004 – Assistance #21.027 – Coronavirus State and Local Fiscal Recovery Funds – Suspension and Debarment (Significant Deficiency):**

**Condition:** The contracts used by the City did not include required language or items related to suspension and debarment.

**Criteria:** The City is required to perform a verification check, by checking SAM.gov, collecting a certification, or adding a clause to the covered transaction for each vendor.

**Questioned Costs:** N/A

**Context:** For 2 contracts tested, the City used a cooperative procurement contract but there was no evidence the City performed a verification check, collected a certification, or added a clause to the covered transaction for each vendor. The sample size was determined based upon guidelines provided by the AICPA which is not a statistically valid sample.

**Cause:** The City believed this step had already been completed by the government entity that was a party to the cooperative procurement contract.

**Effect:** The City may not detect vendors who are suspended or debarred from receiving federal funds.

**Recommendations:** Revise policies to ensure the City performs a verification check, collects a certification, or adds a clause to the covered transaction for each vendor receiving federal funds.

**Views of Responsible Officials (Unaudited):** Management acknowledges that there was a lapse in procurement internal controls and duties related to the verification of vendors receiving Coronavirus State and Local Fiscal Recovery Funds due to staff turnover and new positions within the Procurement Division. Management is in the process of reviewing its internal controls, processes, and procedures related to procurement. Updated procedures will include the verification of vendors through SAM.gov, collecting a certification, or adding a clause to the covered transaction for each vendor receiving federal funds.

**Finding 2022-005 – Assistance #21.027 – Coronavirus State and Local Fiscal Recovery Funds – Procurement (Significant Deficiency):**

**Condition:** The contracts used by the city did not include required language related to procurement.

**Criteria:** If a contract was entered into, the provisions of Appendix II of 2 CFR 200 were included as applicable provisions with the contract.

**Questioned Costs:** N/A

**Context:** For 2 contracts tested, the City used a cooperative procurement contract but there was no evidence the City included the required language related to procurement requirements. The sample

**CITY OF OLATHE, KS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended December 31, 2022

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**SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (CONTINUED)**

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size was determined based upon guidelines provided by the AICPA which is not a statistically valid sample.

**Cause:** The City believed this step had already been completed by the government entity that was a party to the cooperative procurement contract.

**Effect:** Vendors may not receive adequate communication of requirements for receiving federal funds.

**Recommendations:** Revise policies to ensure the City includes the required procurement language in the contract for each vendor receiving federal funds.

**Views of Responsible Officials (Unaudited):** Management acknowledges that there was a lapse in procurement internal controls and duties that resulted in contracts that received Coronavirus State and Local Fiscal Recovery Funds not including the provisions of Appendix II of 2 CFR 200. Management is in the process of updating its internal controls, processes, and procedures related to procurement and will update contract policies to include the provisions of Appendix II of 2 CFR 200 in all future contracts for vendors receiving federal funds.

**CITY OF OLATHE, KS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended December 31, 2022

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

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**Finding 2021-001 (Significant Deficiency):**

**Condition:** Adjustments were necessary related to encumbrances and two miscellaneous accounts payable accounts.

**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.

**Status:** Resolved. The City of Olathe is committed to the development and implementation of strong internal controls that assure the accuracy and completeness of its financial statements and related disclosures. The accounts identified during the audit had not been reviewed or reconciled for several years resulting in an overstatement of liabilities. In the Fall of 2022, the City filled a vacant Procurement Specialist position and designated the Financial Strategy Manager to oversee procurement and focus attention on procurement-related concerns and process improvements. These individuals, as well as other Finance staff, are actively reviewing the encumbrance listing and working with appropriate personnel to ensure open encumbrances are reviewed on a periodic basis. One of the miscellaneous accounts identified in the prior year audit findings is being reconciled by Finance staff on a monthly basis. Unexplained reconciling items are discussed with Denovo, the City's functional support for its accounting software, and the underlying cause of the discrepancies are investigated. The remaining miscellaneous liability accounts are reconciled on a periodic basis, based on the level of activity in the account.

**Finding 2021-002 (Material Weakness):**

**Condition:** During the year, the Housing Financial Coordinator also performed the duties of the Executive Director, which resulted in the loss of segregation of duties between those two positions. In addition, the Housing Authority changed their check signing policy to only require 1 signature, without regard to who approved the invoice for payment. Also, it was noted that a December check that cleared in January was excluded from the December 31, 2021 bank reconciliation as an outstanding item.

**Recommendations:** We recommend that management review all processes and procedures to identify areas where employees are performing duties without adequate review and update policies to ensure that, to the extent possible, all significant processes have a second employee performing review procedures.

**Status:** Resolved. The vacant Financial Coordinator position was filled in February 2022, and the duties are now segregated. Staff have updated the financial procedures. As of Q2 of 2023, staff have engaged the services of a new fee accountant.

**Finding 2021-003 (Material Weakness):**

**Condition:** Adjusting entries totaling \$153,181 were required during the audit. \$132,592 resulted from items identified to correct beginning net position primarily related to unearned revenue. The remaining

**CITY OF OLATHE, KS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended December 31, 2022

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**SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)**

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\$20,589 was identified during audit procedures in the current year to reduce capital grant revenue that was reported in the prior year.

**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.

**Status:** Resolved. Staff have updated the financial procedures. As of Q2 of 2023, staff have engaged the services of a new fee accountant.

**Finding 2021-004 (Material Weakness):**

**Condition:** The Housing Authority was unable to provide supporting documentation for journal entries posted to the general ledger during the year. In addition, there is not a formal process in place to ensure that all journal entries are being reviewed by someone other than the preparer.

**Recommendations:** We recommend that the Housing Authority review the journal entry process and update policies and procedures to ensure that all entries are being reviewed and approved, and that appropriate supporting documentation is being maintained.

**Status:** Staff have updated the journal entry process to require that the Executive Director review entries made by the Financial Coordinator. This process has been in place and is being followed since the beginning of Q4 of 2022.

**Finding 2021-005 (Material Weakness):**

**Condition:** A secondary review or approval of monthly reporting submitted through HUD's voucher management system was not being performed.

**Recommendations:** We recommend that the Housing Authority update policies and procedures to ensure that monthly reports are being reviewed by someone other than the preparer, and also that copies of the submissions, along with supporting documentation, are being maintained to support the information being submitted to HUD.

**Status:** Comment repeated in current year as 2022-001

**Finding 2021-006 (Material Weakness):**

**Condition:** A secondary review or approval of eligibility documentation was not being performed.

**Recommendations:** We recommend that the Housing Authority update policies and procedures to ensure that eligibility calculations are being reviewed by someone other than the preparer, and also that all required documentation is being maintained in tenant files.

**CITY OF OLATHE, KS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

Year Ended December 31, 2022

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**SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (CONTINUED)**

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**Status:** Comment repeated in current year as 2022-002

**Finding 2021-007 (Material Weakness):**

**Condition:** A secondary review of waiting list decisions was not being performed. In addition, it was noted that the wait list is only maintained for 3 years so evidence of wait list position for tenants that have been in the program for longer than 3 years could not be provided.

**Recommendations:** We recommend that the Housing Authority update policies and procedures to ensure that wait list documentation is being reviewed and approved, and also that a copy of the waitlist documentation be kept in each tenant file so that there is a historical record of the wait list process once the actual wait list is no longer being maintained.

**Status:** Comment repeated in current year as 2022-003

**Finding 2021-008 (Significant Deficiency):**

**Condition:** Housing Authority policies do not require annual inspections as required by HUD. However, due to COVID-19, inspections were waived for a period of time, and then required to begin again in 2021.

**Recommendations:** We recommend that the Housing Authority update policies and procedures to ensure that inspection documentation is maintained and policies are in accordance with HUD requirements.

**Status:** Resolved. Staff updated the inspection language in the Admission and Continued Occupancy Plan (ACOP), which is the policy document adopted by the Housing Board to guide the Public Housing Program. The Housing Board adopted those changes to the ACOP at its meeting on December 14, 2022 with Resolution No. 1019.