

CITY OF OLATHE, KS

SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2021

WITH

INDEPENDENT AUDITOR'S REPORT



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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, 2021, 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 16, 2022.

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) 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.

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. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-002, 2021-003, and 2021-004 to be material weaknesses.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2021-001 to be a significant deficiency.

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*.

The City's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the City's responses to the findings identified in our audit and 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 the financial statements and, accordingly, we express no opinion on them.

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, Kansas
June 16, 2022



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

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, 2021. 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, 2021.

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, 2021.

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 opinion 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 2021-005 for reporting, 2021-006 for eligibility, and 2021-007 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 an additional instance of noncompliance which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as item 2021-008. 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 2021-005, 2021-006, 2021-007 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2021-008 to be a significant deficiency.

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, 2021, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements. We issued our report thereon dated June 16, 2022, 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

Overland Park, Kansas
June 16, 2022

CITY OF OLATHE, KS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2021

Program	Federal CFDA Number	Cluster	Grant Number or Pass-Through Entity Identifying Number	Federal Expenditures	Subrecipient Amounts
U.S. Department of Housing and Urban Development:					
Direct Funding -					
Public and Indian Housing	14.850			\$ 268,271	\$ -
Section 8 Housing Choice Vouchers	14.871	1		3,864,423	-
Public Housing Capital Fund	14.872			156,578	-
COVID-19 Public Housing CARES Act Funding	14.PHC			19,737	-
COVID-19 HCV CARES Act Funding	14.HCC	1		127,643	-
Passed Through Johnson County, Kansas -					
Community Development Block Grant	14.218	2	2017 / 2018 / 2019 / 2020 / 2021	<u>575,684</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development				<u>5,012,336</u>	<u>-</u>
U.S. Department of Transportation:					
Passed Through Kansas Department of Transportation (K-DOT) -					
Highway Planning and Construction	20.205	3		11,105,750	-
State and Community Highway Safety	20.600	4	SP-1300-19 / SP-1300-20	31,501	-
National Priority Safety Programs	20.616	4	SP-1701-19 / SP-1701-20	3,219	-
Passed Through Mid-America Regional Council (MARC) -					
Transportation Alternatives Set-Aside	20.205	3		474,500	-
Passed Through Kansas City Area Transportation Authority (KCATA) -					
5310 Grant	20.513	5	MO-16-X046	<u>4,900</u>	<u>-</u>
Total U.S. Department of Transportation				<u>11,619,870</u>	<u>-</u>
U.S. Department of Justice:					
Direct Funding -					
Coronavirus Emergency Supplemental Funding	16.034			71,517	-
COPS Hiring Program	16.710			200,894	-
COPS LEMHWA Program	16.710			40,689	-
Byrne Memorial Justice Assistance Grant	16.738			<u>144,780</u>	<u>103,786</u>
Total U.S. Department of Justice				<u>457,880</u>	<u>103,786</u>
U.S. Department of Homeland Security					
Direct Funding -					
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		EMW-2017-FH-00424	262,059	-
Passed Through Mid-America Regional Council (MARC) -					
Urban Area Security Initiative	97.067		PO-003272	<u>37,901</u>	<u>-</u>
Total U.S. Department of Homeland Security				<u>299,960</u>	<u>-</u>
Total Expenditures of Federal Awards				<u>\$ 17,390,046</u>	<u>\$ 103,786</u>
Clusters:					
1 - Housing Voucher Cluster	3,992,066				
2 - CDBG Entitlement Grants Cluster	575,684				
3 - Highway Planning and Construction Cluster	11,580,250				
4 - Highway Safety Clustre	34,720				
5 - Transit Services Program Cluster	4,900				

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, 2021

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, 2021.

5. Outstanding Loans

The City had the following loan balance outstanding at December 31, 2021. 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	\$ 1,812,871
HOME Investment Partnerships Program	14.239	2,103,118
		<u>\$ 3,915,989</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, 2021

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? X Yes 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

Assistance Number	NAME OF FEDERAL PROGRAM	Opinion
14.850	<i>Public and Indian Housing</i>	Unmodified
14.871	<i>Section 8 Housing Choice Vouchers</i>	Qualified
20.205	<i>Highway Planning and Construction Cluster</i>	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, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2021-001 – Financial Reporting (Significant Deficiency):

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

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 encumbrances and accounts payable, adjustments were required to properly record accounts payable transactions and to correct the encumbrance listing to 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): During the audit, it was noted that the encumbrance listing and two miscellaneous liability accounts had not been reviewed or reconciled for several years resulting in an overstatement of liabilities. 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. Finance employees have already begun investigating the underlying cause of the discrepancies with the assistance of Denovo, the City's functional support for its accounting software. Further, these individuals have been assigned to investigate any outstanding liabilities in these accounts and develop procedures, which will include a review by a second individual, to reconcile the activity on a periodic basis.

Finding 2021-002 – Housing Authority Segregation of Duties (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.

Criteria: Internal Controls systems require adequate segregation of duties to ensure that all steps are being performed and reviewed by different personnel.

CITY OF OLATHE, KS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2021

Context: Due to the limited number of staff at the Housing Authority, several processes did not have appropriate segregation of duties.

Cause: Lack of staffing and policy changes during the year led to several internal control areas lacking adequate segregation of duties.

Effect: Internal controls are not functioning as designed without appropriate segregation of duties.

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.

Views of Responsible Officials/ Planned Corrective Actions (Unaudited): Management acknowledges that there have been some lapses in the segregation of duties due to staff turnover and open positions not being filled in a timely manner during the COVID-19 pandemic. A partial corrective action is already in place as of February 22, 2022, with the filling the Financial Coordinator position. With this position filled, the Executive Director position has been relieved of some additional duties that had been assumed by the position on a temporary basis. The Financial Coordinator has been tasked with reviewing the quality and timeliness of the accounting work being performed by the outside Fee Accountant. Together with the Interim Executive Director, the Financial Coordinator will be making some recommendations to the Housing Authority Board regarding how the Housing Authority's accounting functions should be executed in order to ensure a more timely delivery of accurate financials. The Financial Coordinator has also been tasked with reviewing the work of the outside fee account for accuracy and completeness.

Finding 2021-003 – Housing Authority Financial Reporting (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 \$20,589 was identified during audit procedures in the current year to reduce capital grant revenue that was reported in the prior year.

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 current and prior year revenue balances, adjusting journal entries were required to properly record related transactions and correctly present the associated balances in the appropriate years.

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.

CITY OF OLATHE, KS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2021

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): Management acknowledges that there is room for continued growth and improvement in how the Housing Authority's financial records are prepared. The Financial Coordinator has been tasked with reviewing the quality and timeliness of the accounting work being performed by the outside Fee Accountant. Together with the Interim Executive Director, the Financial Coordinator will be making some recommendations to the Housing Authority Board regarding how the Housing Authority's accounting functions should be executed in order to ensure a more timely delivery of accurate financials. The Financial Coordinator has also been tasked with reviewing the work of the outside Fee Accountant, including the year-end closing entries.

Finding 2021-004 – Housing Authority Journal Entries (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.

Criteria: Management is responsible for designing internal controls that are sufficient to ensure that journal entries are adequately reviewed and approved and contain appropriate supporting documentation.

Context: After review of current year journal entries, it was noted that support was not being maintained and reviewed by someone other than the preparer.

Cause: Internal controls over the journal entry process were not sufficient to ensure entries were properly reviewed and included appropriate supporting documentation.

Effect: Financial statement balances could be materially misstated.

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.

Views of Responsible Officials/ Planned Corrective Actions (Unaudited): Management acknowledges that there is room for continued growth and improvement in how the Housing Authority's financial records are prepared including the need for retaining all supporting documentation for journal entries. A partial corrective action is already in place as of February 22, 2022, with the filling the Financial Coordinator position. The incumbent has 20+ years of accounting, finance and auditing experience and fully understands the importance of maintaining complete and accurate records. The Financial Coordinator with the Executive Director will design a process to ensure that all journal entries are reviewed and approved someone other than the preparer.

CITY OF OLATHE, KS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2021

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2021-005 – Assistance #14.871 – Section 8 Housing Choice Vouchers – Reporting (Material Weakness):

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

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

Questioned Costs: N/A

Context: 3 of the 12 monthly reports were selected for review and did not contain evidence of review or approval.

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 to HUD.

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.

Views of Responsible Officials: Management acknowledges that there have been some lapses in the segregation of duties due to staff turnover and open positions not being filled in a timely manner during the COVID-19 pandemic. A partial corrective action is already in place as of February 22, 2022, with the filling the Financial Coordinator position. With this position filled, the Executive Director position has been relieved of some additional duties that had been assumed by the position on a temporary basis. The Financial Coordinator with the Executive Director will design a process to ensure that the VMS report is reviewed and approved someone other than the preparer prior to being submitted to HUD.

Finding 2021-006 – 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.

Questioned Costs: N/A

Context: None of the 60 files selected for testing contained evidence of review by someone other than the preparer.

CITY OF OLATHE, KS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2021

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 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.

Views of Responsible Officials: Management acknowledges that secondary review of eligibility calculations is a worthwhile internal control and plans to update the Section 8 Housing Choice Voucher written procedures to require this. This will be accomplished by the end of the third quarter 2022.

Finding 2021-007 – 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.

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: 40 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.

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 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.

Views of Responsible Officials: Management acknowledges that secondary review of waiting list decisions is a worthwhile internal control. The Olathe Housing Authority is currently in complete compliance with all HUD-mandated records retention regarding all waitlists and all tenant files. Management plans to update the written procedures for all waitlists to require secondary review. Management will also recommend that the Board of Housing Commissioners (Board) update the Housing Authority's Records Retention Policy to require retention of secondary review documentation until three (3) years after a tenant has exited the Public Housing program or Section 8 program. These updates and recommendations to the Board will be accomplished by the end of the third quarter 2022.

CITY OF OLATHE, KS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2021

Finding 2021-008 – Assistance #14.850 – Public and Indian Housing – Special Tests: Environmental Contaminants Testing and Remediation (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.

Criteria: HUD requires annual inspections for all tenants.

Questioned Costs: N/A

Context: Due to staffing issues during the year, documentation and evidence of inspections was not maintained and/or available for review.

Cause: The Housing Authority did not have an inspector for part of the year and utilized multiple employees to perform inspections.

Effect: Timely inspections might not occur.

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.

Views of Responsible Officials: Management acknowledges that updating the Public Housing inspection policies and procedures is worthwhile. The Olathe Housing Authority is currently in complete compliance with all HUD-mandated inspection requirements. Despite the vacancy of an inspector position during 2021, the Olathe Housing Authority used several other staff to successfully complete all required annual inspections of its Public Housing units. Management acknowledges that some of the documentation of those inspections showed room for improvement. Management plans to update the written procedures to require annual inspections and proper documentation. Management will also recommend that the Board of Housing Commissioners update the applicable Housing Authority policies to require annual inspections of Public Housing units. These updates and recommendations to the Board will be accomplished by the end of the third quarter 2022.

CITY OF OLATHE, KS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2021

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT 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.

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: Comment repeated in current year as 2021-001