

CITY OF OLATHE, KS

SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2023

WITH

INDEPENDENT AUDITOR'S REPORT

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Year Ended December 31, 2023

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

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

We have audited, in accordance with the 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 Government Auditing Standards, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Olathe, KS (City) as of and for the year ended December 31, 2023, 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 24, 2024

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
June 24, 2024



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

Opinion on Each Major Federal Program

We have audited the City of Olathe KS's (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, 2023. 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.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal Program

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.

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.

Report on 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 a 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 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. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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.

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, 2023, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements. We issued our report thereon dated June 24, 2024, 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
June 24, 2024

CITY OF OLATHE, KS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2023

<u>Federal Grantor/Pass-Through Entity/Program Title</u>	<u>Federal CFDA Number</u>	<u>Cluster</u>	<u>Grant Number or Pass-Through Entity Identifying Number</u>	<u>Expenditures</u>	<u>Subrecipient Amounts</u>
U.S. Department of Housing and Urban Development					
Direct Programs					
Public and Indian Housing	14.850		KS043-00000123D	\$ 354,897	\$ --
Section 8 Housing	14.871	1	FSS22KS4879/FSS23KS5562	4,311,962	--
Public Housing Capital Fund	14.872		KS01P043501-19/KS01P04501-21	228,319	--
Economic Development Initiative Community Project Funding	14.251		B-23-CP-KS-0603	122,374	--
Passed Through Johnson County, Kansas					
CDBG Entitlement Grants	14.218	2	2018/2019/2020/2021/2022/2023	573,521	--
Total U.S. Department of Housing and Urban Development				5,591,073	--
U.S. Department of Justice					
Direct Program					
Public Safety Partnership and Community Policing Grants/COPS	16.710		2021	120,230	--
Public Safety Partnership and Community Policing Grants/COPS	16.710		2017/2021	238,330	--
Public Safety Partnership and Community Policing Grants/COPS	16.710		2022/2023	470,000	--
Total Public Safety Partnership and Community Policing Grant				828,560	--
Bulletproof Vest Program	16.607		2022/2023	6,002	--
Edward Byrne Memorial Justice Assistance Grant Program	16.738		2021/2022/2023	121,884	62,891
Total U.S. Department of Justice				956,446	62,891
U.S. Department of Transportation					
Pass-Through Kansas Department of Transportation (K-DOT)					
Highway Planning and Construction	20.205	3	N-0722-01 / N-0742-01 / N-0721-01	1,575,500	--
State and Community Highway Safety	20.600	4	SP-1300-19 / SP-1300-20	32,636	--
National Priority Safety Programs	20.616	4	SP-1701-19 / SP-1701-20	7,522	--
Total U.S. Department of Transportation				1,615,658	--
U.S. Department of Treasury					
Direct Programs					
Coronavirus State and Local Fiscal Recovery Funds	21.027			424,028	--
Pass-Through Child Care Aware of Kansas					
COVID-19 Child Care Development Block Grant	93.575			118,800	--
Total U.S. Department of Treasury				542,828	--
Executive Office of the President					
Direct Programs					
High Intensity Drug Trafficking Areas Program	95.001			21,070	--
Total Executive Office of the President				21,070	--
U.S. Department of Homeland Security					
Pass-Through Mid-America Regional Council (MARC)					
Urban Area Security Initiative/Homeland Security Grant Program	97.067		PO-003272	\$ 57,919	\$ --
Total U.S. Department of Homeland Security				57,919	--
Total Federal Assistance				\$ 8,784,994	\$ 62,891
Clusters:					
1 - Housing Voucher Cluster				\$ 4,311,962	
2 - CDBG - Entitlement Grant Cluster				573,521	
3 - Highway Planning and Construction Cluster				1,575,500	
4 - Highway Safety Cluster				40,158	

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, 2023

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, 2023.

5. Outstanding Loans

The City had the following loan balance outstanding at December 31, 2023. 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	\$ 1,698,230
HOME Investment Partnerships Program	14.239	<u>1,916,359</u>
		<u>\$ 3,614,589</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, 2023

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? 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>Assistance Number</u>	<u>NAME OF FEDERAL PROGRAM</u>	<u>Opinion</u>
14.871	Section 8 Housing Choice Vouchers	Unmodified
14.872	Public Housing Capital	Unmodified
16.710	Public Safety and Community Policing Grants	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, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

None reported.

CITY OF OLATHE, KS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2023

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None reported.

CITY OF OLATHE, KS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2023

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

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.

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.

Status: Resolved. The secondary review and approval of monthly and annual reporting is now being completed and is considered resolved. The SEMAP report was properly submitted.

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.

Recommendations: We recommend that the Housing Authority follow the new quality control policies and procedures implemented in the 4th 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.

Status: Resolved. A secondary review or approval is completed and documented.

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.

Recommendations: We recommend that the Housing Authority follow the new quality control policies and procedures implemented in the 4th 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.

Status: Resolved. The Housing Authority implemented new procedures to document review and approval of the waitlist documentation.

CITY OF OLATHE, KS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2023

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

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.

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.

Status: Resolved. City contracts now include the required language.

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.

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

Status: Resolved. City contracts now include the required language.