# CITY OF LEE'S SUMMIT, MISSOURI

*UNIFORM GUIDANCE*

*SINGLE AUDIT REPORT*

*JUNE 30, 2018*

## Contents

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# Independent Auditors' 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*

The Honorable Mayor and Members
of the City Council
City of Lee's Summit, Missouri

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lee's Summit, Missouri (the City) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 20, 2018.

## Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting 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 may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2018-001 that we consider to be a significant deficiency.

**Compliance And Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

**The City's Responses To Findings**

The City's responses to the findings identified in our audit are described in the accompanying corrective action plan. The City's responses were not subjected to the 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 result of that testing, and not to provide an opinion on the effectiveness of the City'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.

RubinBrown LLP

December 20, 2018

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# Independent Auditors' 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

The Honorable Mayor and Members
of the City Council
City of Lee's Summit, Missouri

## Report On Compliance For Each Major Federal Program

We have audited the City of Lee's Summit, Missouri's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2018. The City's major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs.

### *Management's Responsibility*

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the City's compliance.

### *Opinion On 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 its major federal programs for the year ended June 30, 2018.

### *Other Matters*

The results of our auditing procedures disclosed 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 2018-002 and 2018-003. Our opinion on each major federal program is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and the Corrective Action Plans. The City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

## Report On Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying Schedule of Findings and Questions Costs as items 2018-002 and 2018-003 that we consider to be significant deficiencies.

The City's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs and Corrective Action Plans. The City's responses were not subjected to the 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 City as of and for the year ended June 30, 2018, and have issued our report thereon dated December 20, 2018, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 financial statements as a whole.

RubinBrown LLP

January 15, 2019, (except for our report on the
Schedule of Expenditures of Federal Awards,
which is dated December 20, 2018)

# CITY OF LEE'S SUMMIT, MISSOURI

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
### For The Year Ended June 30, 2018

| Federal Grantor/Pass-Through Grantor/ Program or Cluster Title | Federal CFDA Number | Pass-Through Identifying/Grant Number | Federal Expenditures | Passed Through To Subrecipients |
|---|---|---|---|---|
| **U.S. Department Of Housing And Urban Development** | | | | |
| Direct: | | | | |
| Community Development Block Grant - entitlement program | 14.218 | B-14-MC-29-0010 | $ 9,000 | $ — |
| Community Development Block Grant - entitlement program | 14.218 | B-15-MC-29-0010 | 30,578 | — |
| Community Development Block Grant - entitlement program | 14.218 | B-16-MC-29-0010 | 222,197 | 135,711 |
| Community Development Block Grant - entitlement program | 14.218 | B-17-MC-29-0010 | 99,441 | 45,071 |
| | | | 361,216 | 180,782 |
| **U.S. Department Of Justice** | | | | |
| Office of Justice Programs: | | | | |
| Direct: | | | | |
| Bulletproof Vest Program | 16.607 | | 5,261 | — |
| Violence Against Women Grant Office: | | | | |
| Violence Against Women Grant | 16.590 | 2015-WE-AX-0038 | 122,314 | 29,195 |
| **Total US Department Of Justice** | | | 127,575 | 29,195 |
| **U.S. Office Of National Drug Control Policy** | | | | |
| Passed through the Kansas Bureau of Investigation | | | | |
| Midwest HIDTA Program | 95.001 | G15MW0003A | 70,909 | — |
| Midwest HIDTA Program | 95.001 | G16MW0003A | 62,501 | — |
| **Total US Office Of National Drug Control Policy** | | | 133,410 | — |
| **U.S. Department Of Transportation** | | | | |
| Passed through Missouri Department of Transportation | | | | |
| Airport Improvement Program | 20.106 | AIR 11-109A-2 | 337,673 | — |
| Airport Improvement Program | 20.106 | AIR 15-109A-1 | 128,285 | — |
| Airport Improvement Program | 20.106 | AIR 15-109A-3 | 3,824,923 | — |
| Airport Improvement Program | 20.106 | AIR 16-109A-1 | 2,052,617 | — |
| | | | 6,343,498 | — |
| Passed through Missouri Department of Public Safety | | | | |
| Federal 402 project | 20.600 | 17-PT-02-071 | 9,930 | — |
| Federal 402 project | 20.600 | 17-MSHVE-03-017 | 5,916 | — |
| Federal 402 project | 20.600 | 18-PT-02-018 | 27,407 | — |
| Federal 402 project | 20.600 | 18-M5VE-03-019 | 10,628 | — |
| | | | 53,881 | — |
| Federal Highway Administration through the Missouri Department of Transportation | | | | |
| Work Zone Safety Grant | 20.205 | CWZEE07Z | 15,477 | — |
| **Total U.S. Department Of Transportation** | | | 6,412,856 | — |
| **Total Expenditures Of Federal Awards** | | | $ 7,035,057 | $ 209,977 |

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
June 30, 2018

## 1. Organization

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of City of Lee's Summit, Missouri (the City) for the year ended June 30, 2018. All federal awards received directly from federal agencies, as well as federal awards passed through other governmental agencies, are included on the schedule.

## 2. Basis Of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City and is presented on the cash basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

## 3. Local Government Contributions

Local cost sharing, as defined by the Uniform Guidance, 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 which may result in disallowed costs to the City. However, management does not believe such audits would result in any disallowed costs that would be material to the City's financial position at June 30, 2018.

## 5. Indirect Cost Rate

The City has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

## Section I - Summary Of Auditors' Results

### Financial Statements

| | |
|---|---|
| Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles: | Unmodified |
| Internal control over financial reporting: | |
| • Material weakness(es) identified? | ___ yes _x_ no |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _x_ yes ___ none reported |
| Noncompliance material to financial statements noted? | ___ yes _x_ no |

### Federal Awards

| | |
|---|---|
| Internal control over major programs: | |
| • Material weakness(es) identified? | ___ yes _x_ no |
| • Significant deficiency(ies) identified that are not considered to be material weakness(es)? | _x_ yes ___ none reported |
| Type of auditors' report issued on compliance for major programs: | Unmodified |
| Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? | _x_ yes ___ no |

Identification of major programs:

| Name Of Federal Program Or Cluster | CFDA Number |
|---|---|
| **U.S. Department Of Transportation** | |
| Airport Improvement Program | 20.106 |
| **U.S. Department Of Housing And Urban Development** | |
| Community Development Block Grant - Entitlement Program | 14.218 |

| | |
|---|---|
| Dollar threshold used to distinguish between type A and type B programs: | $750,000 |
| Auditee qualified as low-risk auditee? | _x_ yes ___ no |

## Section II - Financial Statement Findings

### Finding 2018-001 – Significant Deficiency

**Criteria:** The City is required to maintain a system of internal controls related to financial reporting.

**Condition/Cause:** During fiscal year 2018, the City refinanced a portion of its debt. The internal controls specific to debt and capital assets did not reflect current guidance for the financial reporting of debt refundings.

**Effect:** A misstatement in the City's financial reporting and related disclosures was not detected in a timely manner. The City had to make an adjustment to its financial statements and the related disclosures to properly report its refunding of certain bonds.

**Recommendation:** We recommend that management implement formal review procedures over all aspects of financial reporting and the related disclosures.

**Views Of Responsible Officials:** The City has implemented an additional review step by the Finance Director for journal entries that are not repetitive in nature.

## Section III - Federal Award Findings And Questioned Costs

**Finding 2018-002 – Significant Deficiency**
**CFDA: 14.218 – Community Development Block Grants: Entitlement Program**
**Federal Award No. B-14-MC-29-0010, B-15-MC-29-0010, B-16-MC-29-0010, and B-17-MC-29-0010**
**U.S. Department Of Housing and Urban Development**
**Award Years 2014-2017**

**Criteria:** The Uniform Grant Guidance states that "a non-federal entity must establish and maintain effective internal control over the federal award that provides reasonable assurance that the non-federal entity is managing the federal award in compliance with federal statutes, regulations, and the terms and conditions of the federal award." According to CFR §200.62, internal control over compliance requirements for Federal awards means a process implemented by a non-Federal entity designed to provide reasonable assurance regarding the achievement of the following objectives: (1) transactions are properly recorded and accounted for, (2) transactions are executed in compliance with Federal statutes and regulations and (3) funds, property and other assets are safeguarded against loss from unauthorized use or disposition.

**Condition:** In two instances, subrecipient monitoring forms could not be observed. The City could not demonstrate internal controls over subrecipient monitoring.

**Questioned Costs:** None.

**Effect:** The City cannot effectively monitor all of its subrecipients.

**Context/Cause:** During our audit procedures, we noted that the City is lacking formalized controls over subrecipient monitoring.

**Recommendation:** The City should formalize review procedures over subrecipient monitoring and should retain copies of all completed subrecipient monitoring forms.

**Views Of Responsible Officials:** Staff will login prior to submission deadline to make sure login is still active.

### Section III - Federal Award Findings And Questioned Costs

**Finding 2018-003 – Significant Deficiency**
**CFDA: 14.218 – Community Development Block Grants: Entitlement Program**
**Federal Award No. B-14-MC-29-0010, B-15-MC-29-0010, B-16-MC-29-0010, and B-17-MC-29-0010**
**U.S. Department Of Housing and Urban Development**
**Award Years 2014-2017**

**Criteria:** HUD 60002, *Section 3 Summary Report, Economic Opportunities for Low- and Very Low-Income Persons, (OMB No. 2529-0043)* – Each recipient that administers covered public and Indian housing assistance, regardless of the amount expended, and each recipient that administers covered housing and community development assistance in excess of $200,000 in a program year, must submit HUD 60002 information using the automated Section 3 Performance Evaluation and Registry System.

**Condition:** During our audit procedures, we noted one instance where the City did not submit the HUD 60002 report by the required deadline. The City did not properly implement internal controls over the reporting compliance requirements to ensure that HUD 60002 was filed timely.

**Questioned Costs:** None.

**Effect:** The City failed to meet the required deadline for a report submission.

**Context/Cause:** The City attempted to file through the online filing system prior to the deadline but did not have the proper log in information due to employee turnover. The log-in was not reset by technical support until after the deadline had passed.

**Recommendation:** The City should implement review procedures over reporting and formalize the report submission process to ensure compliance even in the event of employee turnover.

**Views Of Responsible Officials:** Staff will begin to review required submissions in a more timely fashion.

LEE'S SUMMIT
MISSOURI

## CORRECTIVE ACTION PLAN
## For The Year Ended June 30, 2018

### Finding 2018-001

***Personnel Responsible For Corrective Action:*** Assistant Finance Director-Controller, City of Lee's Summit, Missouri

***Anticipated Completion Date:*** June 30, 2019

***Corrective Action Plan:*** Staff has built in an additional review step by the Finance Director for journal entries that are not repetitive in nature such as debt issues, debt refunding, new accounting standard implementation, and other entries determined by the Assistant Finance Director-Controller to be significant or complex enough to warrant higher level review.

### Finding 2018-002

***Personnel Responsible For Corrective Action:*** Assistant Finance Director-Controller, City of Lee's Summit, Missouri

***Anticipated Completion Date:*** June 30, 2019

***Corrective Action Plan:*** Staff will check login three months before the submission deadline to make sure login in still active. The filing process will start at least one week before the deadline, to avoid any technical issue delay. This reminder will be built into the City's CDBG management system.

### Finding 2018-003

***Personnel Responsible For Corrective Action:*** Assistant Finance Director-Controller, City of Lee's Summit, Missouri

***Anticipated Completion Date:*** June 30, 2019

***Corrective Action Plan:*** Grant sub recipients are required to submit Uniform Guidance Compliance Monitoring forms with their most recent audit report at the time of the grant agreement. Staff will review the form and audit report within a week of receipt in addition to strengthening their records management system for better tracking.

LEE'S SUMMIT
MISSOURI

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
### For The Year Ended June 30, 2018

| Finding No. | CFDA No. | Program | Condition | Current Year Status |
|---|---|---|---|---|
| NA | NA | NA | NA | NA |