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**CITY OF OLATHE, KANSAS**

OMB CIRCULAR A-133  
SINGLE AUDIT REPORT  
DECEMBER 31, 2014

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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 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 audit contained in *Government Audit Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units, and the aggregate remaining fund information of the City of Olathe, Kansas (the City) as of and for the year ended December 31, 2014, 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 4, 2015. Our report includes a reference to other auditors who audited the financial statements of the Olathe Public Library, a discretely presented component unit of the City, as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**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 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 combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit the attention of 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 may exist that have not been identified.

### **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*.

### **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.

*RubinBrown LLP*

June 4, 2015

**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 OMB Circular A-133**

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

**Report On Compliance For Each Major Federal Program**

We have audited the City of Olathe, Kansas' (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 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, 2014. 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 the requirements of laws, regulations, contracts and grants 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

### ***Opinion On Each Major Federal Program***

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2014.

### ***Other Matters***

The results of our auditing procedures disclosed an instance of noncompliance which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2014-001. Our opinion on each major federal program is not modified with respect to this matter.

The City's response to the noncompliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **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 OMB Circular A-133, 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 a deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-001, that we consider to be a significant deficiency.

The City's response to the internal control over compliance finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

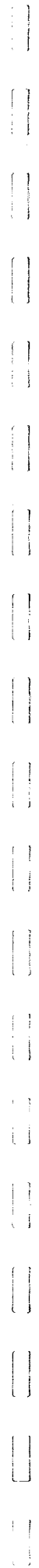
The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

### **Report On Schedule Of Expenditures Of Federal Awards Required By OMB Circular A-133**

We have audited the financial statements of the City as of and for the year ended December 31, 2014, and have issued our report thereon dated June 4, 2015, 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 OMB Circular A-133 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*

June 4, 2015





# CITY OF OLATHE, KANSAS

## SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For The Year Ended December 31, 2014

Program	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
<b>U.S. Department Of Housing And Urban Development:</b>			
<b>Direct Funding -</b>			
Fair Housing Assistance Program	14.401		\$ 4,914
Public And Indian Housing	14.850		263,008
Section 8 Housing Choice Vouchers	14.871		2,712,655
Public Housing Capital Fund	14.872		254,632
<b>Passed Through Johnson County, Kansas -</b>			
Community Development Block Grant	14.218	2012 / 2013 / 2014	394,506
HOME Investment Partnerships Program	14.239	2014	<u>42,472</u>
<i>Total U.S. Department Of Housing And Urban Development</i>			<u>3,672,187</u>
<b>U.S. Department of Transportation:</b>			
<b>Passed Through Kansas Department Of Transportation (K-DOT) -</b>			
Highway Planning And Construction	20.205	N-0569-01	2,264,922
Highway Planning And Construction	20.205	N-0595-01	98,440
Highway Planning And Construction	20.205	N-0601-01	105,600
State And Community Highway Safety	20.600	OP 1039-09	29,299
State And Community Highway Safety	20.600	AL 9917-09	817
<b>Passed Through Kansas City Area Transportation Authority - (KCATA)</b>			
Job Access Reverse Commute	20.516	MO-37-X036	25,188
New Freedom	20.521	MO-57-X004	<u>154,229</u>
<i>Total U.S. Department Of Transportation</i>			<u>2,678,495</u>
<b>U.S. Department of Justice:</b>			
Bulletproof Vest Program	16.607		2,006
<b>Passed Through Johnson County, Kansas -</b>			
Byrne Memorial Justice Assistance Grant	16.738	2011DJBX2735	491
Byrne Memorial Justice Assistance Grant	16.738	2012DJBJA3294	<u>4,806</u>
<i>Total U.S. Department Of Justice</i>			<u>7,303</u>

**CITY OF OLATHE, KANSAS**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS *(Continued)***

**For The Year Ended December 31, 2014**

<b>Program</b>	<b>Federal CFDA Number</b>	<b>Pass-Through Identifying Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Education</b>			
<b>Passed Through Kansas Department Of Aging &amp; Disability Services -</b>			
Safe Supportive Schools	84.184	RPC-DBHS-47164-2014	<u>9,942</u>
<b>U.S. Department Of Health And Human Services</b>			
<b>Passed Through Kansas Department Of Aging &amp; Disability Services -</b>			
Communities That Care	93.276	UADMG-235204-2014	<u>9,456</u>
<b>U.S. Department Of Homeland Security</b>			
<b>Passed Through Mid-America Regional Council (MARC) -</b>			
Urban Area Security Initiative	97.067	08-73050	50,985
Urban Area Security Initiative	97.067	732420	<u>50,903</u>
<i>Total U.S. Department Of Homeland Security</i>			<u>101,888</u>
<b>Total Expenditures Of Federal Awards</b>			<u><u>\$ 6,479,271</u></u>

# CITY OF OLATHE, KANSAS

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## NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

December 31, 2014

### 1. Organization

The accompanying schedule of expenditures of federal awards presents the activity of all federal award programs of the City of Olathe, Kansas (the City) for the year ended December 31, 2014. 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 modified-accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. 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 Office of Management and Budget Circular A-102, 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 program results which may result in disallowed costs to the City. However, management does not believe such audits would result in any disallowed costs that would be material to the City's financial position at December 31, 2014.

**CITY OF OLATHE, KANSAS**

Notes To Schedule Of Expenditures Of Federal Awards *(Continued)*

**5. Loans Outstanding**

The City had the following loan balances outstanding at December 31, 2014. 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	\$ 1,663,220
HOME Investment Partnerships Program	14.239	<u>1,821,180</u>
		<u>\$ 3,484,400</u>

CITY OF OLATHE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For The Year Ended December 31, 2014

Section I - Summary Of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified
Internal control over financial reporting:
• Material weakness(es) identified?
• Significant deficiency(ies) identified that are not considered to be material weakness(es)?
Noncompliance material to financial statements noted?

Federal Awards

Internal control over major programs:
• Material weakness(es) identified?
• Significant deficiency(ies) identified?
Type of auditors' report issued on compliance for major programs: Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133?
Identification of major programs:

Table with 2 columns: CFDA Number, Name Of Federal Program Or Cluster. Rows include 14.871 Section 8 Housing Choice Vouchers and 14.218 Community Development Block Grant.

Dollar threshold used to distinguish between type A and type B programs: \$300,000
Auditee qualified as low-risk auditee?

**CITY OF OLATHE, KANSAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS *(Continued)***

**Section II - Financial Statement Findings**

None

**CITY OF OLATHE, KANSAS**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)**

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

**Finding 2014-001 – Significant Deficiency**

**CFDA No. 14.218**

**U.S. Department of Housing and Urban Development**

**Pass-Through Entity: Johnson County, Kansas**

**Pass-Through Identifying Number: 2012/2013/2014**

**Criteria Or Specific Requirement:** According to OMB Circular A-133, Section 205(b)(1), the value of new loans made during the year is included in the basis for determining the Federal awards expended under loan programs.

**Condition:** When comparing the general ledger for the program with the SEFA, it was noted that the SEFA captured only loan awards made from new federal funds in a given year for the program, rather than to also include as expenditures on the SEFA awards made from recycling the repayments of previous loans.

**Questioned Costs:** None

**Cause:** The City's processes and related controls were not properly designed to ensure that the value of all new loans made were included on the SEFA. The City's methodology in preparing the SEFA was to include only loan awards made from new federal funds in a given year for the program, rather than to also include as expenditures on the SEFA awards made from recycling the repayments of previous loans.

**Effect:** The SEFA required adjustments to ensure total program expenditures were properly reported.

**Recommendation:** The City should consider reviewing the current procedures and controls in place and determine if modifications are necessary to provide for a timely and accurate presentation of federal expenditures related to loan awards on the schedule of expenditures of federal awards. This will ensure that a complete and accurate schedule of expenditures of federal awards is prepared.

**Management Response (Unaudited):** The Finance Division is now aware of the SEFA requirement for loans. Therefore, the expenditures reported going forward will include the value of new loans during the year. The Finance Division will attend additional training related to OMB Circular A-133 to keep informed and educated on SEFA requirements.

**Completion Date:** June 1, 2015

**Contact Person:** Assistant Director of Finance Services

# CITY OF OLATHE, KANSAS

## SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For The Year Ended December 31, 2014

<u>Finding No.</u>	<u>CFDA No.</u>	<u>Program</u>	<u>Description</u>	<u>Current Year Status</u>
2013-001	NA	NA	The City did not properly report on the SEFA the federal grant expenditures incurred by the City during the year. The City included grants received, rather than expended, during the period. In addition, for amounts that are subject to reimbursement, the City only reported as revenue grant reimbursements received during the year, rather than record a receivable and corresponding revenue/deferred revenue related to amounts expended during the year.	Resolved.