

CITY OF OLATHE, KANSAS

SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2024

WITH

INDEPENDENT AUDITOR'S REPORT



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Year Ended December 31, 2024

TABLE OF CONTENTS

	<u>Page</u>
A copy of the City of Olathe, Kansas's Annual Comprehensive Financial Report, year ended December 31, 2024, accompanies this report. The independent auditor's report and the basic financial statements are hereby incorporated by reference.	
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 <i>Government Auditing Standards</i>	1 - 2
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	3 - 6
Schedule of Expenditures of Federal Awards	7
Notes to Schedule of Expenditures of Federal Awards	8
Schedule of Findings and Questioned Costs	9 - 21

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

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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 discretely presented component unit, each major fund, budgetary comparison information, and the aggregate remaining fund information of the City of Olathe, Kansas (City) as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated September 25, 2025.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph 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 were not 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 2024-001, 2024-002, and 2024-003 to be material weaknesses.

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*.

City's Response to Findings

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

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
September 25, 2025

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'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, 2024. 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 16.753 Congressionally Recommended Awards

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 Congressionally Recommended Awards grant for the year ended December 31, 2024.

Unmodified Opinion on Each of the Other Major Federal Programs

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 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, 2024.

Basis for Qualified and Unmodified Opinions

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Matter Giving Rise to Qualified Opinion on 16.753 Congressionally Recommended Awards

As described in the accompanying schedule of findings and questioned costs, the City did not comply with requirements regarding Congressionally Recommended Awards as described in finding number 2024-004 for Allowable Costs/Cost Principles.

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 other 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 2024-005 and 2024-006. Our opinion on each major federal program is not modified with respect to these matters.

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

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 were not 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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2024-004 to be a material weakness.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2024-005 and 2024-006 to be significant deficiencies.

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

Government Auditing Standards requires the auditor to perform limited procedures on the City's response to the internal control over compliance findings identified in our compliance audit described in the accompanying schedule of findings and questioned costs. The City's response was not subjected to the other 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 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, budgetary comparison information, and the aggregate remaining fund information of the City as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated September 25, 2025, 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 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
September 25, 2025

CITY OF OLATHE, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2024

Federal Grantor/Pass-Through Entity/Program Title	Federal Assistance Number	Cluster	Grant Number or Pass-Through Entity Identifying Number	Expenditures	Subrecipient Amounts
U.S. Department of Agriculture					
Passed Through National Arbor Day Foundation					
Forest Service (FS) Urban and Community Forestry Program	10.727			\$ 176,552	\$ -
Total U.S. Department of Agriculture				<u>176,552</u>	<u>-</u>
U.S. Department of Housing and Urban Development					
Direct Programs					
Public and Indian Housing	14.850			283,080	-
Section 8 Housing	14.871	1		4,491,586	-
Public Housing Capital Fund	14.872			283,178	-
Economic Development Initiative Community Project Funding	14.251		B-23-CP-KS-0603	<u>290,045</u>	<u>-</u>
Passed Through Johnson County, Kansas					
CDBG Entitlement Grants	14.218	2	2020/2022/2023/2024/Deferred Loan	<u>404,145</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development				<u>5,752,034</u>	<u>-</u>
U.S. Department of Justice					
Direct Program					
Public Safety Partnership and Community Policing Grants/COPS	16.710		2021 / 2024	40,896	-
Public Safety Partnership and Community Policing Grants/COPS	16.710		2017 / 2021 / 2023	<u>108,896</u>	<u>-</u>
Total Public Safety Partnership and Community Policing Grant				149,792	-
Bulletproof Vest Program	16.607		2022/2023	1,717	-
Edward Byrne Memorial Justice Assistance Grant Program	16.738		2021/2022/2023	136,919	73,519
Congressionally Recommended Awards	16.753		2023	<u>1,685,000</u>	<u>-</u>
Total U.S. Department of Justice				<u>1,973,428</u>	<u>73,519</u>
U.S. Department of Transportation					
Direct Program					
Safe Streets and Roads for All	20.939			232,059	-
Passed Through Kansas Department of Transportation (K-DOT)					
Highway Research and Development	20.200			13,500	-
Highway Planning and Construction	20.205		N-0722-01 / N-0742-01 / N-0721-01	500	-
Highway Planning and Construction	20.205		N-0735-01	159,973	-
State and Community Highway Safety	20.600	3	SP-1300-19 / SP-1300-20	63,401	-
National Priority Safety Programs	20.616	3	SP-1701-19 / SP-1701-20	<u>7,066</u>	<u>-</u>
Total U.S. Department of Transportation				<u>476,499</u>	<u>-</u>
U.S. Department of Treasury					
Direct Programs					
Coronavirus State and Local Fiscal Recovery Funds	21.027		FY23-BASE-OL1	<u>7,128,600</u>	<u>-</u>
Total U.S. Department of Treasury				<u>7,128,600</u>	<u>-</u>
U.S. Department of Health and Human Services					
Direct Programs					
Mobile Integrated Health	93.493			<u>570,673</u>	<u>-</u>
Total U.S. Department of Health and Human Services				<u>570,673</u>	<u>-</u>
U.S. Department of Homeland Security					
Direct Programs					
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		PO-003272	<u>924,043</u>	<u>-</u>
Total U.S. Department of Homeland Security				<u>924,043</u>	<u>-</u>
Total Federal Assistance				<u>\$ 17,001,829</u>	<u>\$ 73,519</u>
Clusters:					
1 - Housing Voucher Cluster	\$ 4,491,586				
2 - CDBG - Entitlement Grant Cluster	404,145				
3 - Highway Safety Cluster	70,467				

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

CITY OF OLATHE, KANSAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2024

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, 2024.

5. Outstanding Loans

The City had the following loan balances outstanding at December 31, 2024. 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	\$ 1,975,500
HOME Investment Partnerships Program	14.239	1,790,628
		<u>\$ 3,766,128</u>

6. Passed Through Entity Numbers

Grant numbers are not listed for several grants on the Schedule of Expenditures of Federal Awards. For those grants, passed through grantors have not assigned passed through numbers to the passed through grants noted in the Schedule of Expenditures of Federal Awards.

CITY OF OLATHE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2024

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

FEDERAL AWARDS

Internal control over major programs:

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

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

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

<u>Assistance Number</u>	<u>NAME OF FEDERAL PROGRAM</u>	<u>Opinion</u>
16.753	<i>Congressionally Recommended Awards</i>	Qualified
21.027	<i>Coronavirus State and Local Fiscal Recovery Funds</i>	Unmodified
93.493	<i>Mobile Integrated Health</i>	Unmodified
97.083	<i>Staffing for Adequate Fire and Emergency Response (SAFER)</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, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2024

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2024-001 - Financial Reporting (Material Weakness):

Condition: During our audit, we noted that the City did not perform timely or complete reconciliations to record certain year-end account balances, including cash, fixed assets, debt, and accounts payable. Adjustments were required during the audit process to correct these balances in the financial statements.

Criteria: Under generally accepted accounting principles (GAAP) and the City's internal control policies, management is responsible for establishing and maintaining internal controls to ensure that all account balances are reconciled to supporting documentation on a timely basis and that financial statements are prepared in accordance with GAAP.

Context: Material adjusting entries were made as part of the audit process to properly record year-end balances.

Cause: The condition occurred because the City did not have adequate procedures in place to ensure that account reconciliations were performed and reviewed the recorded for year-end balances.

Effect: Failure to perform timely reconciliations increases the risk of material misstatements in the financial statements. As a result, the financial statements could be materially misstated.

Recommendation: We recommend that the City implement procedures to ensure that all significant account balances are reconciled to supporting records on a timely basis and that reconciliations are reviewed by an individual independent of the preparer.

Views of Responsible Officials (Unaudited): City leadership agrees with the auditor's finding and appreciates the recommendations for improvements. Timely and accurate reconciliations are essential for reliable financial reporting under GAAP. The issues identified during the 2024 audit were the result of several overlapping challenges:

- 1) **ERP transition:** The City went live with Workday on January 1, 2024. While Workday will strengthen financial reporting and internal controls long-term, initial rollout continues to require ongoing configuration, troubleshooting, and adaptation with limited training and documentation. This created delays in reconciliations and reporting and an added layer of complexity to the year-end closing process.
- 2) **Staff turnover:** Significant leadership turnover in the finance team led to a loss of institutional knowledge, particularly as it relates to configuration and process decisions that were made in Workday. This placed additional burdens on remaining staff during an already challenging year with a system transition. Recruitment and onboarding of new staff coincided with year-end responsibilities, creating delays in completing reconciliations and in documenting and reviewing work at the level that is expected.

CITY OF OLATHE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2024

- 3) Need for updated policies and procedures and training:** The system transition and staff turnover underscored the need for updated and comprehensive policies, procedures, structured review processes, and additional training to ensure consistency and accuracy in financial reporting in the new system.

Corrective Action Plan (Unaudited): To address the findings noted and strengthen financial reporting controls moving forward, the City is implementing the following actions:

- 1) Workday optimization:** The City is actively working with our Workday consultants, project management, and IT staff to resolve outstanding configuration issues. Specific emphasis is being placed on system beginning balances and reconciliation and reporting tools to ensure accurate reporting and that reconciliations are completed accurately and efficiently.
- 2) Organizational assessment:** An external consultant is currently in the process of conducting a finance team diagnostic and organizational assessment. The consultant will be evaluating the finance team's staffing levels and making recommendations on future state organizational structure, roles and responsibilities, and training based on best practices. The consultant will also review existing policies and procedures and identify areas that require immediate attention based on risk and financial impact. This will be a critical tool for leadership to create an optimal organizational structure that ensures efficient and effective financial management moving forward. Once completed, filling critical vacancies with experienced public finance professionals under an optimized organizational structure is a top priority.
- 3) Policy and procedure updates:** Comprehensive updates to financial policies and procedures, including reconciliations, are underway and will be reviewed annually. These documents will serve as both improved internal controls and training tools to safeguard against employee turnover moving forward.
- 4) Monitoring and oversight:** An updated monthly reconciliation and close process with independent supervisory review is currently being implemented. The City is also evaluating the use of contracted accounting support to enhance oversight and internal controls during this transition period.

Contact Person: Jamie Robichaud, Economy Director

Anticipated Completion Date: In progress with all corrective actions implemented by January 2026.

CITY OF OLATHE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2024

Finding 2024-002 – Housing Authority Financial Reporting (Material Weakness):

Condition: Adjusting entries were required during the audit which resulted from items identified to correct beginning net position related to prior year accounts payable and expense balances and current year end balances for accounts payable and expenses.

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 expense and accounts payable 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.

Recommendation: 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 (Unaudited): We concur with the audit finding. The Olathe Housing Authority (OHA) acknowledges that the internal controls over our year-end close process were not sufficient to prevent the misstatements noted in the audit. We appreciate the auditor's review and their recommendation for strengthening our financial controls.

Corrective Action Plan (Unaudited): The OHA is committed to implementing the following corrective actions to address this finding and improve the integrity of our financial reporting:

- 1) **Formal policy and procedure review:** We will conduct a comprehensive review of all policies and procedures related to the year-end close process. This review will specifically focus on the reconciliation and review of accounts payable and expense accrual balances.
- 2) **Implement a two-tier review process:** We will implement a formal two-tier review process for all year-end adjusting entries, requiring initial preparation and review by OHA's external fee accountant, followed by approval from the OHA Executive Director.
- 3) **Develop a year-end close checklist:** We will work with the OHA outside fee accountant firm to ensure there is an adequate year-end close process in place.

Contact Person: Joyce DePriest, Executive Director of Olathe Housing Authority

Anticipated Completion Date: January 2026

CITY OF OLATHE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2024

Finding 2024-003 – Schedule of Expenditures of Federal Awards Preparation (Material Weakness):

Condition: 2 CFR Part 200, section 200.510 requires the City to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the financial statements. The City's Schedule of Expenditures of Federal Awards (SEFA) for the year ended December 31, 2024, included expenditures that were incurred in the prior fiscal year. These prior year expenditures were not reported on the 2023 SEFA and incorrectly reported in the current year.

Criteria: An entity that expends federal awards must have controls in place that would enable the entity to prepare a SEFA including controls that determine the accuracy of the amount of expenditures reported for each federal program. In accordance with 2 CFR §200.502(a), expenditures are to be reported on the SEFA in the fiscal year in which the activity related to the federal award occurs.

Context: The City did not report \$705,791 of expenses on the 2023 SEFA and instead reported these amounts on the 2024 SEFA.

Cause: The error occurred due to inadequate review procedures over the preparation of the SEFA. Specifically, the City did not reconcile SEFA amounts to program reports to ensure expenditures were reported correctly at year-end.

Effect: The SEFA understated expenditures in the prior year and overstated expenditures in the current year, potentially misleading federal agencies and pass-through entities about the City's use of federal funds. This could impact risk assessments, reporting accuracy, and decisions regarding future funding. The lack of an accurate and complete SEFA could lead to grant noncompliance and noncompliance with Subpart F, *Audit Requirements*, of 2 CFR Part 200.

Recommendation: We recommend the City strengthen its SEFA preparation and review process by:

- Reconciling federal expenditures reported on the SEFA to the general ledger by program and grant year.
- Implementing a secondary review to verify that no prior year expenditures are included in current year reporting.
- Providing staff with training on SEFA preparation requirements under 2 CFR Part 200.

Views of Responsible Officials (Unaudited): City leadership agrees with the finding and appreciates the recommendations for improvements. The City recognizes the importance of accurate and timely SEFA reporting to ensure compliance with federal regulations. This particular issue occurred for several reasons:

- 1) **ERP transition:** The City went live with a new financial system (Workday) on January 1, 2024, while still finalizing 2023 transactions. Dual systems created additional challenges in ensuring invoices were properly allocated by fiscal year.
- 2) **Staff turnover:** Preparation of the SEFA shifted between employees due to leadership turnover. Loss of institutional knowledge led to misclassification of prior year expenditures, which should have been reported by previous staff and reviewed by auditors in 2023, but

CITY OF OLATHE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2024

ultimately concluded with 2023 expenditures that weren't previously reported in 2023 being reported by new staff in the 2024 SEFA.

- 3) **Decentralized grant management:** Grant management and reporting have historically been decentralized and managed by departments, which has created challenges for finance to have visibility into the expenditures and has increased the risk for inconsistent reporting. The finding shines a light on a need for a more centralized, consistent process across the organization to ensure conformance with federal grant regulations and accurate reporting.

Corrective Action Plan (Unaudited): To strengthen SEFA reporting, the City will:

- 1) **Create updated grant management policies and procedures:** The finance team is currently in the process of creating an updated grant management and reporting process that is proposed to be centralized and managed by the finance team. This will document departmental responsibilities, finance team responsibilities, and process for SEFA preparation and reconciliation. We expect this policy to be finalized and implemented by the end of 2025.
- 2) **Implement quarterly reporting and reconciliation:** Quarterly reconciliations by grant and program began starting at the completion of the second quarter of 2025. This report will be reconciled to the general ledger and to department grant records. The quarterly SEFA will also receive a secondary review process by a finance team supervisor to independently verify the SEFA totals against the general ledgers. Regular preparation and reconciliation of the SEFA throughout the year will help identify any issues that need to be addressed prior to year-end.
- 3) **Require additional training:** An annual training for finance staff and departmental grant managers will emphasize SEFA requirements, fiscal year reporting, and compliance with federal regulations.
- 4) **Establish a grant management team:** A cross-departmental team has been established to improve communication and collaboration on all grant activities.

Contact Person: Jamie Robichaud, Economy Director

Anticipated Completion Date: January 1, 2026

CITY OF OLATHE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2024

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2024-004 Compliance Finding – Expenditures (Material Weakness)

Assistance Number: 16.753 Congressionally Recommended Awards (CRA)

Year: 2024

Name of Federal Agency: U.S. Department of Justice

Name of Pass-Thru Agency: Direct award

Type of Compliance Finding: B – Allowable Costs/Cost Principles

Condition: 2 CFR Part 200, section 200.510 requires the City to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the financial statements. The City's Schedule of Expenditures of Federal Awards (SEFA) for the year ended December 31, 2024, included expenditures that were incurred in the prior fiscal year. These prior year expenditures were not reported on the 2023 SEFA and incorrectly reported in the current year

Criteria: An entity that expends federal awards must have controls in place that would enable the entity to prepare a SEFA including controls that determine the accuracy of the amount of expenditures reported for each federal program. In accordance with 2 CFR §200.502(a), expenditures are to be reported on the SEFA in the fiscal year in which the activity related to the federal award occurs.

Questioned Costs: N/A

Context: The City did not report \$705,791 of expenses on the 2023 SEFA and instead reported these amounts on the 2024 SEFA.

Cause: The error occurred due to inadequate review procedures over the preparation of the SEFA. Specifically, the City did not reconcile SEFA amounts to program reports to ensure expenditures were reported correctly at year-end.

Effect: The SEFA understated expenditures in the prior year and overstated expenditures in the current year, potentially misleading federal agencies and pass-through entities about the City's use of federal funds. This could impact risk assessments, reporting accuracy, and decisions regarding future funding. The lack of an accurate and complete SEFA could lead to grant noncompliance and noncompliance with Subpart F, *Audit Requirements*, of 2 CFR Part 200.

Recommendation: We recommend the City strengthen its SEFA preparation and review process by:

- Reconciling federal expenditures reported on the SEFA to the general ledger by program and grant year.
- Implementing a secondary review to verify that no prior year expenditures are included in current year reporting.
- Providing staff with training on SEFA preparation requirements under 2 CFR Part 200.

CITY OF OLATHE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2024

Views of Responsible Officials (Unaudited): City leadership agrees with the auditor's finding and appreciates the recommendations for improvements. The same root causes identified in Finding 2024-003 – system transition, staff turnover, and decentralized grant management – contributed to this compliance issue. The City recognizes the need for stronger internal controls, centralized oversight, and consistent review of grant management.

Corrective Action Plan (Unaudited): The corrective actions described under Finding 2024-003 will directly address this compliance issue. Key measures include:

- 1) Adoption of centralized grant management policies and procedures by the end of 2025.
- 2) Quarterly reconciliations and independent review of SEFA reporting.
- 3) Annual training for Finance and department grant managers on SEFA compliance.
- 4) Continued use of the grant management team to enhance communication and oversight.

Contact Person: Jamie Robichaud, Economy Director

Anticipated Completion Date: January 1, 2026

CITY OF OLATHE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2024

2024-005 Compliance Finding – Suspension and Debarment (Significant Deficiency)

Assistance Number: 16.753 Congressionally Recommended Awards (CRA)

Year: 2024

Name of Federal Agency: U.S. Department of Justice

Name of Pass-Thru Agency: Direct award

Type of Compliance Finding: I – Procurement and Suspension and Debarment

Condition: During our testing, we noted that the City did not perform or document required suspension and debarment checks for certain vendors and contractors paid with federal funds. The City did not obtain or retain evidence, such as a certification from the vendor or a verification from the System for Award Management (SAM), to ensure that vendors were not suspended, debarred, or otherwise excluded from federal programs.

Criteria: The Uniform Guidance (2 CFR §200.213) requires non-federal entities to ensure that federal funds are not awarded to or expended with parties that are suspended, debarred, or otherwise excluded. This requirement can be satisfied by obtaining a vendor certification or by checking the SAM.gov system prior to entering into a covered transaction.

Questioned Costs: N/A

Context: The City did not document the suspension and debarment check on one of the five transactions tested. The sample size was determined based upon guidelines provided by the AICPA which is not a statistically valid sample.

Cause: The City did not have adequate procedures in place to ensure that suspension and debarment checks were consistently performed and documented.

Effect: Without performing suspension and debarment checks, the City risks expending federal funds on ineligible vendors, which could result in questioned costs and potential repayment of federal funds.

Recommendation: We recommend that the City implement procedures to ensure suspension and debarment checks are performed for all covered transactions and that evidence of such checks is retained in the procurement files.

Views of Responsible Officials (Unaudited): The City is in agreement with the finding and appreciates the auditor's recommendations for improvements. While federal contract compliance language is included in agreements that are being paid with federal funds, this case occurred because the original contract (2020) predated knowledge that federal funds would later be applied (2022). The oversight highlights the need for additional training and coordination to ensure procurement and legal staff are notified whenever federal funding is applied to an existing contract or amendment.

Corrective Action Plan (Unaudited): To address this finding and prevent future recurrence, the City will implement the following corrective actions:

- 1) Updated grant management policies and procedures:** The centralized grant management policy (see Finding 2024-003) will include requirements for suspension and debarment checks at both contract initiation and amendment stages.

CITY OF OLATHE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2024

- 2) **Procurement controls:** Procurement will continue conducting SAM.gov checks for all federally-funded vendors, including any payments that hit grant funds within the financial system, and save documentation in the contract files. Staff is exploring ways to optimize the business process in Workday to ensure this step occurs efficiently and effectively.
- 3) **Training:** Emphasis will be placed on regular training of federal grant requirements for both the finance team and all city departments. The finance team is currently developing an annual training to provide for all departments covering a number of topics, and one topic of emphasis will be grant management policies and procedures to ensure we are regularly reminding departments of the processes that need to be followed to ensure timely and accurate financial reporting. We will ensure we dedicate specific time to training on the requirements of the Uniform Guidance to ensure compliance.

Contact Person: Jamie Robichaud, Economy Director

Anticipated Completion Date: January 1, 2026

CITY OF OLATHE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2024

2024-006 Compliance Finding – Suspension and Debarment (Significant Deficiency)

Assistance Number: 93.493 Mobile Integrated Health

Year: 2024

Name of Federal Agency: U.S. Department of Health and Human Services

Name of Pass-Thru Agency: Direct award

Type of Compliance Finding: I – Procurement and Suspension and Debarment

Condition: During our testing, we noted that the City did not perform or document required suspension and debarment checks for certain vendors and contractors paid with federal funds. The City did not obtain or retain evidence, such as a certification from the vendor or a verification from the System for Award Management (SAM), to ensure that vendors were not suspended, debarred, or otherwise excluded from federal programs.

Criteria: The Uniform Guidance (2 CFR §200.213) requires non-federal entities to ensure that federal funds are not awarded to or expended with parties that are suspended, debarred, or otherwise excluded. This requirement can be satisfied by obtaining a vendor certification or by checking the SAM.gov system prior to entering into a covered transaction.

Questioned Costs: N/A

Context: The City did not document the suspension and debarment check on one of four transactions tested. The sample size was determined based upon guidelines provided by the AICPA which is not a statistically valid sample.

Cause: The City did not have adequate procedures in place to ensure that suspension and debarment checks were consistently performed and documented.

Effect: Without performing suspension and debarment checks, the City risks expending federal funds on ineligible vendors, which could result in questioned costs and potential repayment of federal funds.

Recommendation: We recommend that the City implement procedures to ensure suspension and debarment checks are performed for all covered transactions and that evidence of such checks is retained in the procurement files.

Views of Responsible Officials (Unaudited): The City is in agreement with the finding and appreciates the auditor's recommendations for improvements. While the City does have standard procedures in place to prevent this issue from happening, this payment was made under a competition exception process that did not provide the procurement or legal team an opportunity to ensure compliance with the Uniform Guidance. This issue highlighted a need for stronger training and enhanced internal controls to capture nontraditional purchases funded with federal dollars and ensure that all purchases with federal funds follow a competitive procurement process.

Corrective Action Plan (Unaudited): To address this finding and prevent future recurrence, the City will implement the following corrective actions:

- 1) **Updated grant management policies and procedures:** The new grant management policy and procedures will explicitly cover informal procurements funded with federal dollars, highlighting the need for compliance with the Uniform Guidance and requiring suspension and debarment checks regardless of contract type.

CITY OF OLATHE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2024

- 2) **Procurement controls:** Procurement will continue conducting SAM.gov checks for all federally-funded vendors, including any payments that hit grant funds within the financial system, and save documentation in the contract files.
- 3) **Training:** Annual training will emphasize the uniform guidance, specifically suspension and debarment rules, with added focus on informal procurements and direct payments without a contract.

Contact Person: Jamie Robichaud, Economy Director

Anticipated Completion Date: January 1, 2026

CITY OF OLATHE, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2024

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None reported.