

Board of Housing Commissioners  
**City of Olathe, Kansas**

We are pleased to present this report related to our audit of the financial statements of the City of Olathe Housing Authority (the Authority) as of and for the year ended December 31, 2024. Our report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the Authority's financial reporting process.

This report is intended solely for the information and use of the Board and management, and is not intended to be, and should not be, used by anyone other than these specified parties.

The following required communications summarize our responsibilities regarding the financial statement audit as well as observations from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

This letter includes other comments and suggestions with respect to matters that came to our attention in connection with our audit of the Authority's financial statements. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the Authority's practices and procedures.

**Our Responsibilities**

We describe our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States to you in our engagement letter dated March 12, 2025. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

**Planned Scope and Timing of the Audit**

We have previously issued a separate communication dated March 6, 2025 regarding the planned scope and timing of our audit and identified significant risks. We made no significant changes to the scope or timing of our procedures.

**Accounting Policies and Practices**

Preferability of Accounting Policies and Practices - Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies - Management has the ultimate responsibility for the appropriateness of the accounting policies used by the Authority. The Authority did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current period.

The Government Accounting Standards Board (GASB) has issued several statements not yet implemented by the Housing Authority. The Housing Authority's management has not yet determined the effect these statements will have on the Housing Authority's financial statements. However, the Housing Authority plans to implement all standards by the required dates. The statements which might impact the Housing Authority are discussed in Note 18 to the City's financial statements.

Significant Accounting Policies - We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions - We did not identify any significant unusual transactions.

Management's Judgments and Accounting Estimates - Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates.

### Audit Adjustments and Uncorrected Misstatements

Audit adjustments, other than those that are clearly trivial, proposed by us and recorded by the Authority are summarized below:

Date	Name	Account No	Reference Annotation	Debit	Credit	Recurrence	Misstatement
12/31/2024	Net Assets - Unrestricted	2841 CU02	7204	122,605.77			
12/31/2024	ADMINISTRATION PAYROLL	4110 CU01	7204		52,693.56		
12/31/2024	Administrative Salaries	4110 CU02	7204		26,658.35		
12/31/2024	Employee Benefit Contributions-Admin.	4182 CU01	7204		20,474.60		
12/31/2024	Employee Benefit Contributions-Admin.	4182 CU02	7204		9,599.16		
12/31/2024	Labor	4410 CU02	7204		66,037.76		
12/31/2024	Employee Benefit Cont.-Ordinary Maintena	4433 CU02	7204		20,310.50		
12/31/2024	Restricted HAP Equity	2841.1 CU01	7204	101,171.37			
12/31/2024	Admin Salary - FSS	4110.1 CU01	7204		20,287.40		
12/31/2024	Employee Benefits Cont - FSS	4182.1 CU01	7204		7,715.81		
To record 2023 payroll in the correct year.							Factual
12/31/2024	Accounts Payable - Vendors	2111 CU01	6101		32,441.65		
12/31/2024	Accounts Payable - Vendors	2111 CU02	6101		36,176.60		
12/31/2024	ADMINISTRATION PAYROLL	4110 CU01	6101	18,878.25			
12/31/2024	Administrative Salaries	4110 CU02	6101	1,435.07			
12/31/2024	Administrative Salaries	4110 CU02	6101	12,406.47			
12/31/2024	Employee Benefit Contributions-Admin.	4182 CU01	6101	8,638.88			
12/31/2024	Employee Benefit Contributions-Admin.	4182 CU02	6101	5,834.68			
12/31/2024	Labor	4410 CU02	6101	11,482.51			
12/31/2024	Employee Benefit Cont.-Ordinary Maintena	4433 CU02	6101	5,017.87			
12/31/2024	Admin Salary - FSS	4110.1 CU01	6101	3,438.50			
12/31/2024	Employee Benefits Cont - FSS	4182.1 CU01	6101	1,486.02			
To record December payroll in the CY.							Factual
12/31/2024	Accounts Receivable - HUD	1125 CU01		33,318.37			
12/31/2024	Restricted HAP Equity	2841.1 CU01			33,318.37		
12/31/2024	Reclass to Restricted	1111.11H CU01			33,318.37		
12/31/2024	Restricted HAP Funds	1114.11H CU01		33,318.37			
To correct AR double entry.							Factual

Due to the correcting adjustment to restate beginning balances and record 2023 reimbursement costs to the City for payroll related expenditures in the prior year, we will include an emphasis-of-matter paragraph in the auditor's report. Below is the paragraph included in the auditor's report:

#### **Emphasis of Matter**

As discussed in Note 1 to the financial statements, the 2023 financial statements have been restated for the Olathe Housing Authority, the City's discretely presented component unit, to correctly record 2023 reimbursement costs to the City for payroll related expenditures in the prior year. Our opinion is not modified with respect to this matter.

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

### **Other Information Included in Annual Reports**

Our responsibility for other information included in annual reports is to read the information and consider whether its content or the manner of its presentation is materially inconsistent with the financial information covered by our auditor's report, whether it contains a material misstatement of fact or whether the other information is otherwise misleading. We read the City's Introductory and Statistical sections did not identify material inconsistencies with the audited financial statements.

### **Observations About the Audit Process**

We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit year; we encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements; we are not aware of any consultations management had with other accountants about accounting or auditing matters; no significant issues arising from the audit were discussed or the subject of correspondence with management; we did not encounter any difficulties in dealing with management relating to the performance of the audit; and we did not encounter any significant and difficult or contentious matters that required consultation outside the engagement team.

### **Shared Responsibilities for Independence**

Independence is a **joint responsibility** and is managed most effectively when management, audit committees, and audit firms work together in considering compliance with AICPA and *Government Accountability Office* (GAO) independence rules. For Allen, Gibbs & Houlik, L.C. (AGH) to fulfill its professional responsibility to maintain and monitor independence, management, the audit committee, and AGH each play an important role.

### **Our Responsibilities**

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. AGH is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.
- Maintain a system of quality control over compliance with independence rules and firm policies.

### **The Authority's Responsibilities**

- Timely inform AGH, before the effective date of transactions or other business changes, of the following:
  - New affiliates, directors, officers, or persons in financial reporting and compliance oversight roles.
  - Changes in the reporting entity impacting affiliates such as partnerships, related entities, investments, joint ventures, component units, jointly governed organizations.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the Authority and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with AGH.

- Not entering into arrangements of nonaudit services resulting in AGH being involved in making management decisions on behalf of the Authority.
- Not entering into relationships resulting in AGH, AGH covered persons or their close family members, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at the Authority.

### **Internal Control Matters**

In planning and performing our audit of the financial statements of the Authority as of December 31, 2024 and for the year then ended, in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States, we considered the Authority'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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority'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. Therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be a material weakness and a significant deficiency.

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 deficiency in design exists when (a) a control necessary to meet the control objective is missing, or (b) an existing control is not properly designed so that, even if the control operates as designed, the control objective would not be met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or competence to perform the control effectively.

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 following deficiency in the Authority's internal control to be a material weakness:

- Year-End Reconciliations - During the audit we identified several accounts were not properly reconciled and required material audit adjustments. As part of the financial reporting process, we recommend that all material accounts be subject to reconciliation, with all necessary adjustments recorded prior to the close of the reporting period. Proper reconciliation procedures are essential to ensure that account balances are accurate, complete, and supported by appropriate documentation.

Management's Response - 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.

## **Management Representations**

In connection with our audit procedures, we have obtained a written management representation letter. This representation letter constitutes written acknowledgments by management that it has the primary responsibility for the fair presentation of the financial statements in conformity with generally accepted accounting principles and also includes the more significant and specific oral representations made by officers and employees during the course of the audit. The letter is intended to reduce the possibility of misunderstandings between us and the Authority and reminds the signing officers to consider seriously whether all material liabilities, commitments and contingencies or other important financial information have been brought to our attention.

Electronic Fund and Wire Transfers - The risk of loss or fraud around the electronic transfer of cash is significant and has grown exponentially in recent years. Therefore, we suggest the Authority evaluate current controls around these types of transactions to minimize risks associated with electronic payments.

In general, the Authority's processes and controls should:

- Maintain dual authorizations over electronic payments.
- Develop a formal written policy for generating, approving and executing electronic payments to ensure that all transfers are properly performed, routed, and accounted for. The lack of a formal written agreement can lead to improper transaction recording, whether by accident or fraud, that can result in significant loss to the Authority.
- Utilize written agreements with vendors that specifically communicate wire procedures, account numbers, multi-factor authentication requirements, change or update requirements, etc. These agreements should be strictly followed and extremely difficult to change to minimize the risk of fraudulent activity around electronic payments. Your bank or insurance company many times will have best practices and templates that align with the banking procedures or insurance policies already in place.

Cybersecurity - Effective cybersecurity risk management continues to be more important than ever in today's environment. Those charged with governance and executive management (the governance team) face an enormous challenge: to oversee how the organization manages cybersecurity risk.

An effective cybersecurity risk management program includes assessments of your comprehensive risk, controls and vulnerabilities to provide reasonable, but not absolute, assurance that material breaches are prevented or detected, and mitigated in a timely manner. The combined effects of an organization's dependency on IT, the complexity of IT networks and business applications, extensive reliance on third parties and human nature (i.e., susceptibility to social engineering) are only likely to increase the need for effective cybersecurity risk management programs.

As a best practice, we encourage executive management to be intimately involved with the risk management program and to share the results with the governance team.

Comprehensive Policy and Procedure Review - Given the broad and deep scope of your operations, you should consider completing a comprehensive evaluation of the adequacy and effectiveness of the entity's internal financial policies, processes and procedures, including a comparison to best practices among organizations the same size.

For entities that have experienced budget cuts in the finance area or those that have experienced turnover, a periodic review of controls is imperative. Even if your finance team has been stable over

the years, we remind you that even the best design of controls is only as good as the people who carryout and execute such controls.

Financial policies, procedures and processes are a key element of sound fiscal administration. When policies are effective, they can preserve or enhance the fiscal health and wealth of the organization and create efficiencies for staff members.

This comprehensive evaluation could include:

1. Evaluation of existing controls
2. Identification of financial policies that could lead to vulnerability to fraud and/or abuse
3. For those identified weaknesses and risks, recommendations for improvements

### **Closing**

We will be pleased to respond to any questions you have about this report or set up an introductory meeting to discuss the other recommendations at no charge. We appreciate the opportunity to continue to be of service to the Housing Authority.

*Allen, Gibbs & Houlik, L.C.*

CERTIFIED PUBLIC ACCOUNTANTS

Overland Park, KS  
September 25, 2025