
CITY OF LEE'S SUMMIT, MISSOURI
UNIFORM GUIDANCE
SINGLE AUDIT REPORT
JUNE 30, 2016

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RubinBrown LLP
Certified Public Accountants
& Business Consultants

1200 Main Street
Suite 1000
Kansas City, MO 64105

T 816.472.1122
F 816.472.1065

W rubinbrown.com
E info@rubinbrown.com

**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, 2016, 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 21, 2016.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2016-001, 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Questioned Costs as items 2016-002 and 2016-003.

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 21, 2016

**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, 2016. 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 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 June 30, 2016.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2016-002 and 2016-003. 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 corrective action plan. 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 a certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2016-002 and 2016-003 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 corrective action plan. 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.

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

**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, 2016, and have issued our report thereon dated December 21, 2016, 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 20, 2017, (except for our report on the Schedule of Expenditures of Federal Awards, which is dated December 21, 2016)

CITY OF LEE'S SUMMIT, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures	Passed Through To Subrecipients
U.S. Department Of Housing And Urban Development				
Direct:				
Community Development Block Grant - entitlement prog.	14.218		\$ 9,620	\$ —
Community Development Block Grant - entitlement prog.	14.218		51,837	—
Community Development Block Grant - entitlement prog.	14.218		45,050	—
Community Development Block Grant - entitlement prog.	14.218		134,151	—
Community Development Block Grant - entitlement prog.	14.218		196,605	127,002
			<u>437,263</u>	<u>127,002</u>
U.S. Department Of Justice				
Office of Justice Programs:				
Direct:				
Bulletproof Vest Program	16.607		4,712	—
Violence Against Women Grant Office:				
Violence Against Women Grant	16.590	2015-WE-AX-0038	78,225	—
Total US Department Of Justice			<u>82,937</u>	<u>—</u>
U.S. Office Of National Drug Control Policy				
Passed through the Kansas Bureau of Investigation				
Midwest HIDTA Program	95.001	G15MW0003A	17,243	—
Midwest HIDTA Program	95.001	G16MW0003A	40,390	—
Total US Office Of National Drug Control Policy			<u>57,633</u>	<u>—</u>
U.S. Department Of Transportation				
Passed through Missouri Department of Transportation				
Airport Improvement Program	20.106	AIR 11-109A-2	9,948	—
Airport Improvement Program	20.106	AIR 13-109A-1	12,136	—
Airport Improvement Program	20.106	AIR 15-109A-1	4,658,905	—
			<u>4,680,989</u>	<u>—</u>
Passed through Missouri Department of Public Safety				
Federal 402 project	20.600	15-PT-02-045	5,178	—
Federal 402 project	20.600	15-M5VE-03-027	17,002	—
Federal 402 project	20.600	16-PT-02-078	27,186	—
Federal 402 project	20.600	16-154-AL-108	15,484	—
Federal 402 project	20.600	16-M3DA-04-008	13,308	—
			<u>78,158</u>	<u>—</u>
Federal Highway Administration through the Missouri Department of Transportation				
Lee's Summit Road	20.205	STP No. 3301(455)	2,046,605	—
Murray Road	20.205	BRO--B048(53)	373,680	—
			<u>2,420,285</u>	<u>—</u>
Total U.S. Department Of Transportation			<u>7,179,432</u>	<u>—</u>
Department Of The Interior, National Park Service Through The Department Of Natural Resources				
Direct:				
Miller J Fields Sprayground	15.918		36,944	—
Federal Highway Administration, Through The Missouri Department Of Natural Resources				
Lowenstein Park Trail Restoration	20.219	No Grant Number	87,464	—
Environmental Protection Agency				
Direct:				
Cedar Creek Interceptor	66.202		1,303,750	—
Federal Emergency Management Administration				
Direct:				
Disaster Relief	97.036		13,160	—
Total Expenditures Of Federal Awards			<u>\$ 9,198,583</u>	<u>\$ 127,002</u>

CITY OF LEE'S SUMMIT, MISSOURI

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2016

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, 2016. 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, 2016.

5. **Indirect Cost Rate**

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

CITY OF LEE'S SUMMIT, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2016

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 no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes none reported

Noncompliance material to financial statements noted? yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? 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)? 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 Transportation Lee's Summit and Murray Road	20.205
Environmental Protection Agency Cedar Creek Interceptor	66.202

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee? yes no

CITY OF LEE'S SUMMIT, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)

June 30, 2016

Section II - Financial Statement Findings

Finding 2016-001 – Significant Deficiency – Repeat Finding (2015-001)

Criteria/Condition: Internal controls and the related processes over the reconciliation of the pooled cash operating account at the City were not properly modified and implemented upon conversion to the new general ledger software package (Lawson).

Context/Cause: The City converted to Lawson during fiscal year 2013. After the conversion, the City has captured an unidentified difference each month during the reconciliation process that continued to accumulate through the year ended June 30, 2015. During 2016, the City was able to identify a significant portion of the difference created each month, thus reducing the unidentified difference to a smaller amount. The City believes it has located the source of the remaining difference in fiscal year 2017.

Effect: The City is unable to reconcile cash timely and accurately at June 30, 2016.

Recommendation: We recommend that management continue to analyze the bank reconciliation process to isolate and fix the differences so cash properly reconciles going forward.

Views of Responsible Officials: The City has identified and corrected the conversion error during FY 2016. The remaining difference appears to be due to bank error that is currently being resolved.

CITY OF LEE'S SUMMIT, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)

June 30, 2016

Section III - Federal Award Findings And Questioned Costs

Finding 2016-002 – Significant Deficiency

CFDA: 66.202 – Congressionally Mandated Projects- Cedar Creek Interceptor

Federal Award No. 97732701

Environmental Protection Agency

Award Year 2011

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. The City did not properly implement internal controls over the cash management compliance requirements.

Condition: During our audit procedures, we noted that the City is lacking proper controls over the review of expense reimbursement requests before submission to the EPA.

Questioned Costs: None.

Effect: The City cannot effectively reconcile the program expenses and associated reimbursements in the event of an error.

Context/Cause: No review over reimbursement requests after initial preparation was observed before submission.

Recommendation: The City should implement review procedures over reimbursement requests after preparation but before submission to the EPA. The review should include reconciliation of related expenses that occurred during the period and cross-checking the amount listed in the reimbursement request.

Views Of Responsible Officials: The City has implemented a review step for the EPA grant reimbursement submission process.

CITY OF LEE'S SUMMIT, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)

June 30, 2016

Finding 2016-003 – Significant Deficiency

CFDA: 66.202 – Congressionally Mandated Projects- Cedar Creek Interceptor

Federal Award No. 97732701

Environmental Protection Agency

Award Year 2011

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. The City did not properly implement internal controls over the reporting compliance requirements.

Condition: During our audit procedures, we noted that the City is lacking proper controls over the review of reports before submission to the EPA.

Questioned Costs: None.

Effect: The City could be non-compliant in the event of an erroneous report.

Context/Cause: No review over report information before submission was observed.

Recommendation: The City should implement review procedures over reporting after preparation but before submission to the EPA. The review should include analysis of inputs to ensure the City is in compliance with the EPA's requirements.

Views Of Responsible Officials: The City has implemented a review process before report submission to the EPA.



LEE'S SUMMIT MISSOURI

CORRECTIVE ACTION PLAN For The Year Ended June 30, 2016

Finding 2016-001

Personnel Responsible for Corrective Action: Assistant Finance Director, City of Lee's Summit, Missouri

Anticipated Completion Date: June 30, 2017

Corrective Action Plan: The City has identified and corrected the conversion error during FY 2016. The remaining difference appears to be due to bank error that is currently being resolved.

Finding 2016-002

Personnel Responsible for Corrective Action: Assistant Finance Director, City of Lee's Summit, Missouri

Anticipated Completion Date: June 30, 2017

Corrective Action Plan: The City has implemented a review step for the EPA grant reimbursement submission process.

Finding 2016-003

Personnel Responsible for Corrective Action: Assistant Finance Director, City of Lee's Summit, Missouri

Anticipated Completion Date: June 30, 2017

Corrective Action Plan: The City has implemented a review process before report submission to the EPA.



LEE'S SUMMIT MISSOURI

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS For The Year Ended June 30, 2016

Finding No.	CFDA No.	Program	Condition	Current Year Status
2015-001	NA	NA	Internal controls over the reconciliation of the pooled cash operating account at the City were not properly modified and implemented upon conversion to the new general ledger software package (Lawson).	Repeated as 2016-001.
2015-002	14.218	Community Development Block Grants: Entitlement program	OMB Circular A-133 states that "at the time of the subaward, identify to the subrecipient the Federal award information (i.e., CFDA title and number; award name and number; if the award is research and development; and name of Federal awarding agency) and applicable compliance requirements.	The City has included the Federal award information in the template for subrecipient awards.