
CITY OF LEE'S SUMMIT, MISSOURI

*OMB CIRCULAR A-133
SINGLE AUDIT REPORT
JUNE 30, 2015*

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**Independent Auditors' Report On Internal
Control Over Financial Reporting And On
Compliance And Other Matters Based On An Audit
Of Financial Statements Performed In Accordance
With *Government Auditing Standards***

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Lee's Summit, Missouri (the City) as of and for the year ended June 30, 2015, 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 22, 2015.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 2015-001 that we consider to be a significant deficiency.

Compliance And Other Matters

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

The City's Response To Findings

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

Purpose Of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

RubinBrown LLP

December 22, 2015

**Independent Auditors' Report On Compliance For Each Major
Federal Program; Report On Internal Control
Over Compliance; And Report On Schedule
Of Expenditures Of Federal Awards
Required By OMB Circular A-133**

The Honorable Mayor and Members
of the City Council
City of 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, 2015. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion On Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2015-002. Our opinion on each major federal program is not modified with respect to these matters.

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

Report On Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2015-002 that we consider to be a significant deficiency.

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

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

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 OMB
Circular A-133**

We have audited the financial statements of the City as of and for the year ended June 30, 2015, and have issued our report thereon dated December 22, 2015, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.

RubinBrown LLP

January 22, 2016

CITY OF LEE'S SUMMIT, MISSOURI

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For The Year Ended June 30, 2015

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal CFDA Number	Pass-Through Identifying Number	Federal Expenditures
U.S. Department Of Housing And Urban Development			
Direct:			
Community Development Block Grant - entitlement program	14.218		\$ 19,466
Community Development Block Grant - entitlement program	14.218		59,490
Community Development Block Grant - entitlement program	14.218		171,446
			<u>250,402</u>
U.S. Department Of Justice			
Office of Justice Programs:			
Direct:			
Violence Against Women Grant	16.590		117,864
Bulletproof Vest Program	16.607		6,161
Missouri Department of Public Safety Programs:			
Enforcement of Underage Drinking Laws	16.726	2014-EUDL-10	21,906
Total US Department Of Justice			<u>145,931</u>
U.S. Office Of National Drug Control Policy			
Passed through the Kansas Bureau of Investigation			
Midwest HIDTA Program	95.001	No grant number	50,821
U.S. Department Of Transportation			
Passed through Missouri Department of Transportation			
Airport improvement program	20.106	AIR 11-109A-1	4,985
Airport improvement program	20.106	AIR 11-109A-2	137,036
Airport improvement program	20.106	AIR 13-109A-1	354,108
			<u>496,129</u>
Passed through Missouri Department of Public Safety			
Federal 402 project	20.600	14-PT-02-061	7,594
Federal 402 project	20.600	14-K8-03-045	9,458
Federal 402 project	20.600	15-PT-02-045	22,449
Federal 402 project	20.600	15-M5VE-03-027	17,968
			<u>57,469</u>
Total U.S. Department Of Transportation			<u>553,598</u>
Department Of The Interior, National Park Service Through The Department Of Natural Resources			
Direct:			
Miller J Fields Sprayground	15.918		38,056
Federal Highway Administration, Through The Missouri Department of Natural Resources			
Direct:			
Lowenstein Prk Trail Restoration	20.219		12,536
Environmental Protection Agency			
Direct:			
Cedar Creek Interceptor	66.202		9,726
Total Expenditures of Federal Awards			<u>\$ 1,061,070</u>

CITY OF LEE'S SUMMIT, MISSOURI

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

June 30, 2015

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, 2015. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

3. **Local Government Contributions**

Local cost sharing, as defined by the Office of Management and Budget Circular A-102, is required by certain federal grants. The amount of cost sharing varies with each program. Only the federal share of expenditures is presented in the Schedule of Expenditures of Federal Awards.

4. **Additional Audits**

Grantor agencies reserve the right to conduct additional audits of the City's grant programs for economy and efficiency 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, 2015.

5. Subrecipients

Of the federal awards presented in the schedule of federal expenditures, the City provided subrecipients funding from Community Development Block Grants – Entitlement Grants, CFDA No. 14.218, in the amount of \$115,278.

CITY OF LEE'S SUMMIT, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
June 30, 2015

Section I - Summary Of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? ___ yes x no

Federal Awards

Internal control over major programs:

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

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? x yes ___ no

Identification of major programs:

Name Of Federal Program Or Cluster	CFDA Number
U.S. Department Of Housing And Urban Development	
Community Development Block Grants:	
Entitlement program	14.218
U.S. Department Of Transportation	
Airport Improvement Program	20.106

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? ___ yes x no

CITY OF LEE'S SUMMIT, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)

June 30, 2015

Section II - Financial Statement Findings

Finding 2015-001 – Significant Deficiency

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).

Cause: The City converted to Lawson during fiscal year 2013. Since the conversion, the City has captured an unidentified difference each month during the reconciliation process that has continued to accumulate through the year ended June 30, 2015. The difference has increased each month by an immaterial amount, but the difference in total has been growing. Subsequent to year end the City was able to identify a significant portion of the difference created each month, thus reducing the unidentified difference to a smaller amount, however, the remaining unidentified difference needs to be identified to prevent the amount from becoming material. It is unclear at this time what the direct cause of the remaining difference is.

Effect: The City is unable to reconcile cash timely and accurately at June 30, 2015.

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

Corrective Action Plan (Unaudited): The City has identified a significant portion of the difference and recorded the corrections to the General Ledger at the beginning of fiscal year 2016. While there is still a small difference, the City will continue to review all transactions to ensure all systems are processing transactions correctly.

Completion Date: June 30, 2016

Contact Person: Assistant Finance Director, City of Lee's Summit

CITY OF LEE'S SUMMIT, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)

June 30, 2015

Section III - Federal Award Findings And Questioned Costs

Finding 2015-002 – Significant Deficiency

U.S. Department of Housing and Urban Development

Federal Award No. 14.218

Community Development Block Grant (B-12-MC-29-0010, B-13-MC-29-0010, B-14-MC-29-0010)

Criteria: 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.”

Condition: During our audit procedures, we noted that 2 out of 2 subrecipients were not properly informed of the award CFDA number by the City.

Questioned Costs: None.

Effect: Without informing subrecipients of these obligations, there is an increased risk that a subrecipient will fail to comply with one of the requirements, incorrectly report expenditures on the subrecipient’s schedule of expenditures of federal awards, or fail to report at all.

Cause: The City was presented with the same finding for this program in 2013 and corrected the issue in 2014. An oversight by staff appears to be the cause of the reappearance of this finding.

Recommendation: The City should officially inform all subrecipients of necessary award information (i.e. CFDA title and number, award name and number, whether the award is ‘Research and Development,’ and name of the Federal awarding agency) and requirements imposed by laws, regulations, and the provisions of contract or grant agreements. Including this information as a standard part of initial communications with subrecipients prior to disbursement of any awards, and/or requiring the subrecipient to sign a document containing this information, is suggested to fix this deficiency and prevent future occurrences.

CITY OF LEE'S SUMMIT, MISSOURI

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (*Continued*)

June 30, 2015

Corrective Action Plan (Unaudited): The City plans to include the CFDA number on their updated subrecipient grant template. The City will also send a subrecipient grant agreement supplemental letter providing all subrecipients CFDA information for the fiscal year 2015-16 grants.

Completion Date: March 31, 2016

Contact Person: Assistant Director of Planning Services, Planning and Codes Administration Department, City of Lee's Summit

CITY OF LEE'S SUMMIT, MISSOURI

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For The Year Ended June 30, 2015

Finding No.	CFDA No.	Program	Condition	Current Year Status
2014-001	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 a significant deficiency in the current year.
2014-002	20.106	Airport Improvement Program	The City did not have documentation of proper review and approval for 15 out of 59 certified payrolls tested during Davis Bacon testing.	Cleared