

***UNIFIED GOVERNMENT OF WYANDOTTE COUNTY /
KANSAS CITY, KANSAS***

SINGLE AUDIT REPORT

YEAR ENDED DECEMBER 31, 2015

WITH

INDEPENDENT AUDITOR'S REPORT



UNIFIED GOVERNMENT OF WYANDOTTE COUNTY /
KANSAS CITY, KANSAS

SINGLE AUDIT REPORT

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UNIFIED GOVERNMENT OF WYANDOTTE COUNTY /
KANSAS CITY, KANSAS

SINGLE AUDIT REPORT

Year Ended December 31, 2015

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

Board of Commissioners
**Unified Government of Wyandotte County /
Kansas City, 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, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Unified Government of Wyandotte County / Kansas City, Kansas (Unified Government), as of and for the year ended December 31, 2015, and the related notes to the financial statements, which collectively comprise the Unified Government's basic financial statements, and have issued our report thereon dated June 8, 2016. Our report includes a reference to other auditors who audited the financial statements of the Board of Public Utilities, as described in our report on the Unified Government's financial statements. This report does not include the results of the other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Unified Government'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 Unified Government's internal control. Accordingly, we do not express an opinion on the effectiveness of the Unified Government'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 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 certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002 that we consider to be a significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Unified Government'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 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*.

Unified Government's Response to Findings

The Unified Government's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Unified Government's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the responses.

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.L.C.
CERTIFIED PUBLIC ACCOUNTANTS

June 8, 2016
Wichita, Kansas

INDEPENDENT AUDITOR'S REPORT
ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL
OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS REQUIRED BY THE UNIFORM GUIDANCE

Board of Commissioners
**Unified Government of Wyandotte County /
Kansas City, Kansas**

Report on Compliance for Each Major Federal Program

We have audited the Unified Government of Wyandotte County / Kansas City, Kansas' (Unified Government) 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 Unified Government's major federal programs for the year ended December 31, 2015. The Unified Government's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The Unified Government's basic financial statements include the operations of the Board of Public Utilities, a major fund, whose federal awards are not included in the Schedule of Expenditures of Federal Awards for the year ended December 31, 2015. Our audit, described below, did not include the operations of the Board of Public Utilities, which engaged other auditors to perform an audit in accordance with the Uniform Guidance.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Unified Government'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 Unified Government'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 Unified Government's compliance.

Basis for Qualified Opinion on CFDA No. 11.307

As described in finding 2015-004 in the accompanying schedule of findings and questioned costs, the Unified Government did not comply with requirements regarding the following:

Finding #	CFDA #	Program Name	Compliance Requirement
2015-004	11.307	Economic Adjustment Assistance (Revolving Loan Fund)	Special Tests and Provisions: Increases to RLF Capital Base and Capital Utilization; Loan Requirements

Compliance with such requirements is necessary in our opinion, for the Unified Government to comply with the requirements applicable to that program.

Qualified Opinion on CFDA No. 11.307

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the Unified Government complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the Economic Adjustment Assistance Grant program for the year ended December 31, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the Unified Government 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 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, 2015.

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 items 2015-002, 2015-003, and 2015-005. Our opinion on each major federal program is not modified with respect to these matters.

The Unified Government's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Unified Government'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 Unified Government 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 Unified Government'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 Unified Government'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 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 certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2015-002, 2015-003, and 2015-005, that we consider to be significant deficiencies.

The Unified Government's responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The Unified Government'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.

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, each major fund, and the aggregate remaining fund information of the Unified Government of Wyandotte County / Kansas City Kansas (Unified Government) as of and for the year ended December 31, 2015, and the related notes to the financial statements which collectively comprise the Unified Government's basic financial statements. We issued our report thereon dated June 8, 2016, which contained unmodified opinions on those financial statements. We have not performed any procedures with respect to the audited financial statements subsequent to June 8, 2016. We did not audit the financial statements of the Board of Public Utilities, which is both a major fund and 85 percent, 85 percent, and 87 percent, respectively of the assets, net position, and revenues of the business-type activities. Those financial statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Board of Public Utilities, is based on the report of the other auditors.

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 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

September 26, 2016
Wichita, Kansas

**UNIFIED GOVERNMENT OF WYANDOTTE COUNTY /
KANSAS CITY, KANSAS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2015

SECTION I – SUMMARY OF AUDITOR’S RESULTS (Continued)

Identification of major federal programs and type of auditor’s report issued on compliance for major federal programs: See Below

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM</u>	<u>OPINION</u>
10.557	Special Supplemental Nutrition Program for Women, Infants, and Children (WIC)	Unmodified
11.307	Economic Adjustment Assistance (Revolving Loan Fund)	Qualified
14.218	Community Development Block Grants	Unmodified
14.239	HOME Investment Partnerships Program	Unmodified
93.044 / 93.045 / 93.053	Aging Cluster	Unmodified
97.044	Assistance to Firefighters Grant	Unmodified

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee? yes X no

**UNIFIED GOVERNMENT OF WYANDOTTE COUNTY /
KANSAS CITY, KANSAS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS

Finding 2015-001: Accounting and Financial Reporting (Significant Deficiency)

Condition: The Unified Government's management is responsible for the accuracy, completeness, and fairness of data presented in the Comprehensive Annual Financial Report, including all disclosures. The deficiencies described below could result in misstatements to the basic financial statements. In January 2012, the Unified Government filled the Accounting Manager position, resulting in additional resources being available for completing the year-end closing process and preparation of the financial statements. This step taken by the Unified Government continues to provide substantial benefits to this process compared to prior years, as described in the items below:

- a) A deficiency exists related to the overall preparation of the basic financial statements and related footnotes for the Comprehensive Annual Financial Report. Our observation is that the Accounting Manager continues to provide substantial benefits related to the financial statement preparation process. We noted that the Accounting Manager continued to take steps during 2015 to develop improved controls and procedures over the preparation of the financial statements. This resulted in management continuing to complete the majority of the reconciliations and calculations needed in support of the year-end adjustments and financial statements with fewer adjusting entries being made during the audit process. Management was able to generate budgetary fund-level financial statements and assisted in compiling components of the footnotes and fund level statements that are in accordance with generally accepted accounting principles. The primary remaining areas of concern pertain to certain adjusting entries (described more fully in b) below), and the preparation of the government-wide financial statements and complete set of notes to the financial statements.
- b) A deficiency exists in controls over procedures used to initiate, authorize, record and process certain journal entries into the general ledger, and record recurring and nonrecurring adjustments to the financial statements as listed below. As noted previously, the Accounting Manager was active in preparing and/or reviewing year-end journal entries prepared by his staff. The remaining items we recommend to be focused on in future years include:
 - adjustments for general liability obligations for litigation and other legal matters
 - recording annual adjustment to the net pension liabilities
 - adjustments for intergovernmental receivable related to STAR bond activity
- c) In prior years, we noted a deficiency existed due to capital asset data that was found to include errors relating to the accuracy and completeness of the data related to economic development agreements. In 2015, no adjustments were made to add assets not previously identified by management; however, an asset was removed due to being sold under a development agreement.

**UNIFIED GOVERNMENT OF WYANDOTTE COUNTY /
KANSAS CITY, KANSAS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Criteria or Specific Requirement: Internal controls should be designed to provide adequate control over the preparation of reliable financial statements.

Cause: Accounting personnel responsible for preparation of the Comprehensive Annual Financial Report are not adequately trained in generally accepted accounting principles issued by the GASB. Additionally, internal resources are not sufficient, and there is a lack of controls for ensuring completion of tasks needed to prepare the financial statements.

Effect: Lack of resources, controls and procedures could result in a material misstatement to the financial statements.

Recommendation: We recommend management:

- a) continue to evaluate and strengthen controls and procedures to capture the information needed to identify, authorize, record and process recurring and nonrecurring journal entries and year-end adjustments to the financial statements.
- b) continue additional training for staff in the preparation of financial statements, and ensure that key personnel in the accounting area are trained in the requirements of governmental accounting and reporting.

Management Response:

The process that began in the Accounting Division in 2012 continues to provide improvements of the operations of the division, especially in the overall preparation of the basic financial statements and related footnotes for the Comprehensive Annual Financial Report. The successes realized since that point in time continue to build allowing for additional growth of the professionalism and output of the entire division.

The Accounting division has limited staff of 6 personnel plus the manager. Recently, during the busiest time of the year, two members of the staff were lost due to retirement. Within a matter of months, the division lost 1/3 of its staff and nearly 60 combined years of service to the Unified Government. Due to the dedication and hard work of the remaining staff, the division was able to process all the daily work timely while also completing all the required year end work within the established deadlines.

Both of the vacancies created have been filled. One of the vacancies was upgraded to a Management Analyst position which allowed the division to bring in a candidate that will add ability and capacity to the division. The second vacancy was filled with an individual with the educational level and drive that will allow the division to get more out the same position.

While 2015 was a challenge to the division due to the turnover and related vacancies, it is the expectation that the division will continue the trajectory of growth and progress with the additional resources the new employees bring to the division. This will be accomplished without the addition of any personnel. The Accounting Manager will continue to challenge the staff in professional growth, evaluate the various operations of the division and make the necessary changes to improve the overall operation and attain incremental progress.

**UNIFIED GOVERNMENT OF WYANDOTTE COUNTY /
KANSAS CITY, KANSAS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2015

SECTION II – FINANCIAL STATEMENT FINDINGS (Continued)

Finding 2015-002: Schedule of Expenditures of Federal Awards (Significant Deficiency)

Condition: 2 CFR Part 200, section 200.510 requires the Unified Government to prepare a schedule of expenditures of federal awards (SEFA) for the period covered by the financial statements. Management's current procedures capture most of the information needed, including a listing of individual federal programs by federal agency and pass-through entity where applicable, and total federal awards expended under each program. However, during testing of the SEFA, we noted several programs where expenditures of federal awards were not accurately reported. Additionally, information regarding amounts passed through to subrecipients was not included on the original SEFA prepared by management.

Criteria or Specific Requirement: 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, including expenditures passed through to subrecipients.

Cause: Certain corrections to the SEFA were due to programs that had both expenditures from federal and state funding sources; federal amounts were not properly identified. In other instances, funds from several grants were included under one grant rather than being separately presented on the SEFA under the appropriate CFDA numbers.

Effect: 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 management evaluate its procedures for identifying federal programs, and in particular, federal expenditures that may be part of programs that are funded in part with state funds. Procedures should be implemented to evaluate the accuracy and completeness of information reported by each department that receives federal awards. We also recommend management consider having all federal awards tracked centrally, and that the Unified Government appoint someone to oversee expenditures of, and compliance with, all grant programs.

Management Response: Management will explore the possibilities of appointing a Grant Manager position within the Unified Government to allow for all federal awards to be tracked centrally with the duty to oversee compliance with all grant programs. Management will also adjust the current process used to develop the SEFA. Historically, the process has included one interim review during the year, with the bulk of the work to identify federal funding falling after year-end. Beginning immediately, the process will include quarterly review periods which will allow more opportunities to gather the relevant data and make necessary corrections throughout the year rather relying solely on year-end procedures. Second, management will begin to utilize a form developed by the American Institute of Certified Public Accountants to communicate with departments clearly the information needed to compile accurate SEFA reports. Finally, management will communicate directly with grantor agencies when possible to confirm the accuracy of the SEFA report. We believe these changes to our process combined will allow for accurate reporting on the SEFA.

**UNIFIED GOVERNMENT OF WYANDOTTE COUNTY /
KANSAS CITY, KANSAS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2015

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Finding 2015-002: Schedule of Expenditures of Federal Awards (Significant Deficiency)

This finding, as reported under Section II – Financial Statement Findings, is also considered to be a Federal Award Finding. For complete description, see Section II.

Finding 2015-003 (Significant Deficiency) (Repeat of Finding 2014-002)

<u>CFDA #</u>	<u>Program</u>
14.218	Community Development Block Grants Cluster, U.S. Department of Housing and Urban Development, Award No. B-14-MC-20-0001 and B-15-MC-20-0001
14.239	HOME Investment Partnerships Program, U.S. Department of Housing and Urban Development, Award No. M14-MC200200

Condition: Documentation of the comparison of budgeted distributions of salaries to actual costs based on time activity reports was not completed where employees work on multiple activities. In addition, other employees whose salaries are charged 100% to the CDBG or HOME programs cross-train and have some program duties related to other federal HUD grant programs.

Criteria or Specific Requirement: OMB Circular A-87 states that where budget estimates or other distribution percentages are determined before services are performed, the government should, at least quarterly, perform comparisons of actual costs to budgeted distributions based on monthly activity reports. Distribution percentages should be revised, if necessary, to reflect changed circumstances.

Questioned Costs: Questioned costs pertaining to employees who are charged 100% to HOME or CDBG but who may incur efforts for programmatic duties related to other federal HUD grant programs are unknown. Total salaries and fringe benefits for the employees for the HOME program were \$54,217 and for the CDBG program were \$748,678.

Context: Employees are tracking their time spent on their activities; however, this data has not been utilized to distribute their time to the different cost centers. 24 CFR 570.206 allows for CDBG funds to be used to pay for HOME program administration costs. Therefore, the condition described above for the CDBG program pertains primarily to non-program administration activities performed by employees, and their corresponding salary expenditures.

Regarding the employees whose salaries are charged 100% to CDBG, but who may incur efforts on other programs, it was noted that, of the total federal funding received directly from HUD, approximately 69% is for CDBG, 22% is for HOME, and 9% for other programs.

The sample size used for testing was determined based upon guidelines provided by the AICPA which was not a statistically valid sample.

**UNIFIED GOVERNMENT OF WYANDOTTE COUNTY /
KANSAS CITY, KANSAS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2015

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Effect: Salary expenditures incurred under the program may not be allowed as a cost of the grant without proper documentation.

Cause: Procedures put in place in 2009 to review the time activity reports and distribute salaries were not continued in 2011-2015. Additionally, management is limited by administration caps in other Federal awards such as HOME, making salary costs unallowable above the caps. The similar nature of the programs makes distinguishing time spent on different programs difficult.

Recommendation: We recommend management utilize the time study process started in 2009 to perform quarterly comparisons of actual costs to budgeted distributions. Additionally, distribution percentages should be revised, if necessary, to reflect changed circumstances.

Management Response: The Community Development Department staff continues to complete time activity reports. The ability to apply those percentages is limited by federal administration caps. Community Development staff continues efforts to find the best way to allocate staff time. We have evaluated staff projects and work assignments and allocated grant resources in the Cayenta financial system accordingly, to reflect staff time as accurately as possible. We will continue to review the activity reports on a quarterly basis to reconcile, but the allocation described above should minimize the need for adjustments.

**UNIFIED GOVERNMENT OF WYANDOTTE COUNTY /
KANSAS CITY, KANSAS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2015

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding 2015-004 (Repeat of Finding 2014-006):

CFDA #11.307, Economic Adjustment Assistance (Revolving Loan Fund), U.S. Department of Commerce, Economic Development Administration, Award No. RLF KS-1

Condition: Prior to fiscal 2010, the Revolving Loan Fund (RLF) was administered by a separate nonprofit entity, not the Unified Government. Records received from the nonprofit entity after the Unified Government took over the program were incomplete, with the following impact on the administration of the program by the Unified Government:

- a) For loans made prior to 2011, all required standard loan documents were not completed and located in the loan files. Out of \$795,199 of loans outstanding at December 31, 2014, \$25,903 of loans were missing documentation. There were no new loans issued during 2015.
- b) The Unified Government did not have 75% of the Revolving Loan Fund (RLF) capital base loaned or committed during 2015. The Unified Government is required to sequester “excess funds” if they fall below the capital utilization standard. This was done correctly for the reporting period ending March 31, 2015, however, for the September 30, 2015 reporting period, the calculation of “excess funds” was \$95,307 above the amount of funds sequestered.

Criteria or Specific Requirements: 13 CFR section 307.15(b)(2) requires that, prior to the disbursement of any EDA funds, the RLF recipient must certify to EDA that standard RLF loan documents are in place. Such loan documentation must include, at a minimum, the (1) loan application, (2) loan agreements, (3) board of directors’ meeting minutes approving the loan, (4) promissory note, (5) security agreements, (6) deed of trust or mortgage if applicable, (7) agreement of prior lien holder if applicable, and (8) signed bank turn-down letter demonstrating that credit is not otherwise available on terms and conditions that permit the completion or successful operation of the activity to be financed.

13 CFR section 307.16(c) requires that RLF recipients manage their repayment and lending schedules to provide that at all times at least 75% of the RLF capital base is loaned or committed. If the recipient fails to satisfy the utilization standard for two consecutive reporting periods, the excess funds are required to be sequestered.

Questioned Costs: None noted.

**UNIFIED GOVERNMENT OF WYANDOTTE COUNTY /
KANSAS CITY, KANSAS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2015

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Context/Cause: Prior to fiscal 2010, the RLF was administered by a separate nonprofit entity, not the Unified Government. Records received from the nonprofit entity after the Unified Government took over the program were incomplete, including loan file documentation, documentation of payments received since the initial disbursement of the loan, and the remaining outstanding principal balances on the loans. With the exception of new loans made in 2011, 2012 and 2013, all loans outstanding in 2010 had been initially disbursed and administered by the nonprofit entity. Testing on the new loans made in 2011, 2012 and 2013 found all standard loan documents to be in place. No new loans were issued in 2014 or 2015.

Effect: There is a risk that outstanding loans do not meet the program criteria.

Recommendation: We recommend management continue working on implementing its new policies and procedures for administration of the Revolving Loan Fund, which may also include updating documentation for loans previously disbursed by the former administering agency.

Management Response: The Unified Government successfully contracted with an external consultant to perform agreed-upon procedures pertaining to the Unified Government's compliance with certain requirements of the program. A final report will soon be submitted to the EDA as the Unified Government is working with the EDA to terminate our involvement in the Revolving Loan Fund.

**UNIFIED GOVERNMENT OF WYANDOTTE COUNTY /
KANSAS CITY, KANSAS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2015

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS (Continued)

Finding 2015-005 (Significant Deficiency):

CFDA #14.218, Community Development Block Grants Cluster, U.S. Department of Housing and Urban Development, Award No. B-14-MC-20-0001 and B-15-MC-20-0001

Condition: The undisbursed portion of grant agreements exceeded 1.5 times the grant amount for the current program year.

Criteria or Specific Requirements: Per 24 CFR 570.902(a)(1), sixty days prior to the end of the grantee's program year (which is as of each August 2 for the Unified Government), the amount of grant funds available to the recipient under grant agreements but not disbursed by the U.S. Treasury, should not be more than 1.5 times the grant amount for the current program year.

Questioned Costs: None noted.

Context: On August 2, 2015, the grant funds available under grant agreements, but not disbursed exceeded the 2014 grant allocation by \$380,642 or was 1.69 times the 2014 grant allocation.

Cause: The Unified Government identified various causes contributing to this issue in their letter to the U.S. Department of Housing and Urban Development (HUD) dated July 23, 2015. This included issues such as the delay of several projects due to weather. Additionally, several projects were delayed due to issues with environmental reviews and developing contracts.

Effect: Grant funding could be reduced by the amount of unspent funds in excess of the 1.5 times standard.

Recommendation: We recommend the Unified Government implement procedures to track this ratio and establish procedures to reduce the available grant funds.

Management Response: Community Development will establish an internal policy to monitor the timeliness ratio in an effort to comply with the requirements.

UNIFIED GOVERNMENT OF WYANDOTTE COUNTY /
KANSAS CITY, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2015

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Findings Required to be Reported by Government Auditing Standards

Finding 2014-001: Accounting and Financial Reporting (initially reported in 2012):

This finding is repeated, with some modification, in Finding 2015-001. Management continues to implement improvements to its process for preparation of the basic financial statements. See steps taken in 2015 and discussion of next steps in the Management Response to Finding 2015-001.

Status: In progress. See current year finding 2015-001.

Findings Required to be Reported by the Uniform Guidance

#14.218 Community Development Block Grants, U.S. Department of Housing and Urban Development; and #14.239 HOME Investment Partnerships Program, U.S. Department of Housing and Urban Development (initially reported in 2007);

#93.004/93.045/93.053 Aging Cluster, U.S. Department of Health and Human Services, passed through the Kansas Department of Aging (initially reported in 2014):

Finding 2014-002: Documentation of the comparison of budgeted distributions of salaries to actual costs based on time activity reports was not completed where employees work on multiple activities. Additionally, in 2009, it was noted that other employees whose salaries are charged 100% to the CDBG program cross-train and have some program duties related to other federal HUD grant programs.

For the Aging Cluster, timesheets were reviewed bi-monthly in 2015 to compare the allocation of time to actual time reported, with variances adjusted accordingly.

Corrective Action: The Community Development Department staff continues to complete time activity reports. Community Development staff continues efforts to find the best way to allocate staff time. We have evaluated staff projects and work assignments and allocated grant resources in the Cayenta financial system accordingly, to reflect staff time as accurately as possible. We will continue to review the activity reports on a quarterly basis to reconcile, but the allocation described above should minimize the need for adjustments.

Status: Management has completed the finding as it pertains to the Aging Cluster. It is management's belief that the current status remains in progress for the Home and Community Development Block Grant programs. See current year finding 2015-003.

**UNIFIED GOVERNMENT OF WYANDOTTE COUNTY /
KANSAS CITY, KANSAS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2015

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

#14.218, Community Development Block Grants, U.S. Department of Housing and Urban Development, U.S. Department of Housing and Urban Development, Passed through the Kansas Department of Commerce, Award No. 10-NSP3-01 (initially reported in 2013):

Finding 2014-003: The Unified Government could not provide supporting documentation for certain administrative costs that were charged to the program.

Corrective Action: While the program ended in March 2014, the Unified Government continued to incur and charge various administrative expenditures to the federal award in 2015. No additional drawdowns were being requested for these expenditures; they were applied against previous drawdowns for administrative costs.

Status: See discussion above. As of December 31, 2015, drawdowns from years prior to 2015 exceed expenditures incurred to date by approximately \$103,000.

#14.218, Community Development Block Grants, U.S. Department of Housing and Urban Development; and #14.239 HOME Investment Partnerships Program, U.S. Department of Housing and Urban Development (initially reported in 2012):

Finding 2014-004: The Unified Government did not file the required reports through the Federal Funding Accountability and Transparency Act Subaward Report System (FSRS) for subawards greater than \$25,000.

Corrective Action: Community Development will establish internal controls to ensure compliance with the requirements of the Federal Funding Accountability and Transparency Act Subaward Reporting System. Reports were completed in 2015.

Status: Completed

#14.235, Supportive Housing Program, U.S. Department of Housing and Urban Development (initially reported in 2014):

Finding 2014-005: The Unified Government could not provide evidence that required suspension and debarment verification checks had been performed.

Corrective Action: The program is no longer receiving funds. However, debarment verification checks are being performed and debarment requirements are now written into contracts.

Status: Completed

**UNIFIED GOVERNMENT OF WYANDOTTE COUNTY /
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SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended December 31, 2015

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS (Continued)

#11.307, Economic Adjustment Assistance (Revolving Loan Fund), U.S. Department of Commerce, Economic Development Administration (initially reported in 2010):

Finding 2014-006: Prior to fiscal 2010, the Revolving Loan Fund (RLF) was administered by a separate nonprofit entity, not the Unified Government. Records received from the nonprofit entity after the Unified Government took over the program were incomplete, with the following impact on the administration of the program by the Unified Government:

- a) All required standard loan documents were not completed and located in the loan files for loans made prior to 2011.
- b) The Unified Government did not have 75% of the Revolving Loan Fund (RLF) capital base loaned or committed. Excess funds were sequestered in accordance with program requirements.

Corrective Action: The Unified Government RLF program staff continues to update and implement procedures to effectively administer the RLF program, but at this time the UG is not accepting applications and is only servicing loans while working with the EDA to withdraw from the program.

Status: The Unified Government contracted with an external consultant to perform agreed-upon procedures pertaining to the Unified Government's compliance with certain requirements to the program. A final report will soon be submitted to the EDA as the Unified Government is working with the EDA to terminate our involvement in the Revolving Loan Fund. Items a) and b) are in progress. See current year finding 2015-004.

UNIFIED GOVERNMENT OF WYANDOTTE COUNTY,
KANSAS CITY, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2015

<u>Program</u>	<u>CFDA #</u>	<u>Pass-Through Entity Number</u>	<u>Federal Expenditures</u>	<u>Total By Federal Agency</u>	<u>Passed-Through to Subrecipients</u>
U.S. Department of Agriculture:					
Passed Through Kansas Department of Health and Environment:					
Special Supplemental Nutrition Program for Women, Infants, and Children	10.557	3KS700703	\$ 880,619		
Passed Through Kansas Department of Education:					
School Breakfast Program	10.553	not available	¹ 23,082		
National School Lunch Program	10.555	not available	¹ 36,593		
<i>Total U.S. Department of Agriculture</i>				\$ 940,294	
U.S. Department of Commerce:					
Direct Funding:					
Economic Adjustment Assistance - Revolving Loan Fund Program	11.307		1,343,195		
<i>Total U.S. Department of Commerce</i>				1,343,195	
U.S. Department of Housing and Urban Development:					
Direct Funding:					
Community Development Block Grant	14.218		1,954,046		\$ 156,048
Community Development Block Grants - Neighborhood Stabilization Program (NSP3)	14.218		54,355		
Emergency Shelter Grants Program	14.231		150,183		147,930
Supportive Housing Program	14.235		42,129		42,129
HOME Investment Partnerships Program	14.239		600,423		103,509
Continuum of Care Program	14.267		42,130		42,130
Passed Through the Kansas Department of Commerce:					
Community Development Block Grants - Neighborhood Stabilization Program (NSP3)	14.218	10-NSP3-01	170,593		
<i>Total U.S. Department of Housing and Urban Development</i>				3,013,859	
U.S. Department of Justice:					
Direct Funding:					
Bureau of Justice Assistance:					
ARRA - Public Safety Partnership and Community Policing Grants	16.710		11,600		
Edward Byrne Memorial Justice Assistance Grant	16.738		317,684		
Criminal and Juvenile Justice and Mental Health Collaboration Program	16.745		97,704		
Passed Through the Kansas Governor's Office:					
Crime Victim Assistance	16.575	14-VOCA-54	78,751		
Crime Victim Assistance	16.575	15-VOCA-50	34,697		
Passed Through the Kansas Office of the Attorney General:					
Violence Against Women Formula Grants	16.588	16-VAWA-27	78,463		
<i>Total U.S. Department of Justice</i>				618,899	
U.S. Department of Transportation:					
Passed Through the Kansas City Area Transportation Authority					
Federal Transit Formula Grants	20.507	M090X288	25,393		
Passed Through the Kansas Department of Transportation:					
Highway Planning and Construction	20.205	C-4590-01	² 30,893		
State and Community Highway Safety	20.600	SP-1901-15	³ 34,755		
State and Community Highway Safety	20.600	SP-1901-15	³ 7,625		
State and Community Highway Safety	20.600	SP-1300-15	³ 38,078		
<i>Total U. S. Department of Transportation</i>				136,744	
U.S. Environmental Protection Agency:					
Passed Through Kansas Department of Health and Environment:					
Air Pollution Control Program Support	66.001	A-00796208 & 17	150,432		
Air Pollution Control Program Support	66.001	A-00796209 & 17	76,015		
Surveys, Studies, Research, Investigations, Demonstrations, and Special Purpose Activities Relating to the Clean Air Act	66.034	XA977348 01	47,412		
Capitalization Grants for Clean Water State Revolving Funds	66.458	C20-1596-02	⁴ 3,511,137		
<i>Total U.S. Environmental Protection Agency</i>				3,784,996	

The accompanying notes are an integral part of this schedule.

UNIFIED GOVERNMENT OF WYANDOTTE COUNTY,
KANSAS CITY, KANSAS

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2015

<u>Program</u>	<u>CFDA #</u>	<u>Pass-Through Entity Number</u>	<u>Federal Expenditures</u>	<u>Total By Federal Agency</u>	<u>Passed-Through to Subrecipients</u>
U.S. Department of Health and Human Services:					
Passed Through Kansas Department of Aging:					
<i>Aging Cluster:</i>					
Special Programs for the Aging - Title III, Part B - Grants for Supportive Services and Senior Centers	93.044	16-01-2B	⁵ 291,080		64,634
Special Programs for the Aging - Title III, Part C - Nutrition Services	93.045	16-01-2C(1), 16-01-2C(2)	⁵ 651,153		109,126
Nutrition Services Incentive Program	93.053	16-01-2C(1), 16-01-2C(2)	⁵ 168,980		44,967
			1,111,213		
Special Programs for the Aging - Title III, Part D - Disease Prevention and Health Promotion Services	93.043	16-01-1D	23,364		
Special Programs for the Aging - Title IV and Title II Discretionary Projects	93.048	1X0CMS330767	263,092		
Special Programs for the Aging - Title III Part E - National Family Caregiver Support	93.052	16-01-1E	101,576		
Medicare Enrollment Assistance Program	93.071	90MP0087/02	3,050		
State Health Insurance Assistance Program	93.324	1N0CMS020189-20-02	6,946		
Developmental Disabilities Basic Support and Advocacy Grants	93.630	15-087, 16-087	181,258		
Social Services Block Grant	93.667	SY12SCA	205,845		
Passed Through Kansas Department of Health and Environment:					
Public Health Emergency Preparedness	93.069	1 U90 TP000523-01	171,662		
Affordable Care Act (ACA) Personal Responsibility Education Program	93.092	not available	152,445		
Project Grants and Cooperative Agreements for Tuberculosis Control Programs	93.116	5U52PS707869-22	18,543		
Family Planning Services	93.217	not available	325,449		
Childhood Immunization Grant	93.268	not available	68,950		
Affordable Care Act (ACA) Tribal Maternal, Infant, and Early Childhood Home Visiting Program	93.505	D89MC25208	215,046		
Child Care and Development Block Grant	93.575	not available	⁶ 61,062		
Racial and Ethnic Approaches to Community Health REACH	93.738	not available	25,126		
Medical Assistance Program	93.778	not available	⁷ 273,051		
HIV Prevention Activities - Health Department Based	93.940	not available	46,275		
Preventive Health Services - Sexually Transmitted Diseases Control Grant	93.977	not available	130,704		
Maternal and Child Health Block Grant	93.994	not available	380,408		
<i>Total U.S. Department of Health and Human Services</i>				3,765,065	
Executive Office of the President:					
Passed Through Kansas Bureau of Investigation:					
High Intensity Drug Trafficking Areas Program	95.001	G12MW0003A & G13MW0003A & G14MW0003A	65,315		
<i>Total Executive Office of the President</i>				65,315	
U.S. Department of Homeland Security:					
Direct Funding:					
Disaster Grants - Public Assistance (Presidentially Declared Disasters)	97.036		192,344		
Assistance to Firefighters Grant	97.044		906,750		
Staffing for Adequate Fire and Emergency Response (SAFER)	97.083		1,034,988		
Passed Through Kansas Division of Emergency Management:					
Emergency Management Performance Grants - 2014	97.042	EMW-2014-EP-00074	548		
Emergency Management Performance Grants - 2015	97.042	EMW-2015-EP-00077	73,474		
Passed Through Mid-America Regional Council:					
Homeland Security Grant Program - UASI 2010	97.067	EMW-2013-SS-0078	7,372		
Homeland Security Grant Program - UASI 2010	97.067	EMW-2014-SS-00027-S01	4,497		
<i>Total U.S. Department of Homeland Security</i>				2,219,973	
TOTAL EXPENDITURES OF FEDERAL AWARDS				\$ 15,888,340	\$ 710,473

1	Child Nutrition Cluster	\$ 59,675
2	Highway Planning and Construction Cluster	\$ 30,893
3	Highway Safety Cluster	\$ 80,458
4	Clean Water State Revolving Fund Cluster	\$ 3,511,137
5	Aging Cluster	\$ 1,111,213
6	CCDF Cluster	\$ 61,062
7	Medicaid Cluster	\$ 273,051

The accompanying notes are an integral part of this schedule.

**UNIFIED GOVERNMENT OF WYANDOTTE COUNTY /
KANSAS CITY, KANSAS**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2015

Note 1. Organization

The Unified Government of Wyandotte County / Kansas City, Kansas is the recipient of several federal grants. Various Unified Government departments administer these grant programs. The grants are accounted for in the General Fund, Special Revenue Funds, and Capital Project Funds.

Note 2. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Unified Government and is presented on the modified accrual basis of accounting. The information presented in this schedule is in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3. Local Government Contributions

Local cost sharing, as defined by 2 CFR Part 200, section 200.306, 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.

Note 4. Additional Audits

Grantor agencies reserve the right to conduct additional audits of the Unified Government's grant programs for economy and efficiency and program results which may result in disallowed costs to the Unified Government. However, management does not believe such audits would result in any disallowed costs that would be material to the Unified Government's financial position at December 31, 2015.

Note 5. Scope of Audit Pursuant to The Uniform Guidance

This report does not include the federal financial assistance of the Board of Public Utilities of Kansas City, Kansas. This entity, including the federal financial assistance programs, is audited by other auditors. Copies of financial statements and Single Audit reports can be obtained at the following address:

Board of Public Utilities of Kansas City, Kansas
540 Minnesota Avenue
Kansas City, Kansas 66101

**UNIFIED GOVERNMENT OF WYANDOTTE COUNTY /
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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2015

Note 6. Indirect Cost Rate

The Unified Government of Wyandotte County / Kansas City, Kansas has elected not to use the 10-percent de minimis cost rate allowed under Section 200.414(f) of the Uniform Guidance.

Note 7. Revolving Loan Funds

For the Schedule of Expenditures of Federal Awards, the amount expended for the U.S. Department of Commerce Revolving Loan Fund (RLF) program is determined as follows:

Balance of RLF loans outstanding at December 31, 2015	\$ 795,199
Plus: cash and investment balance in the RLF at December 31, 2015	972,787
Plus: administrative expenses paid out of RLF income during the year ended December 31, 2015	22,909
Plus: unpaid principal of all loans written off during the year ended December 31, 2015	<u>35,835</u>
Subtotal	1,826,730
 Federal share of the RLF	 <u>73.53%</u>
	 <u>\$ 1,343,195</u>

**UNIFIED GOVERNMENT OF WYANDOTTE COUNTY /
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NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended December 31, 2015

Note 8. Social Services Block Grant Passed Through the Kansas Department for Aging and Disability Services

CDDO-KDADS-087-2015

Comparison of Expenditures to Budget
For the Contract Period September 1, 2014 Through June 30, 2015

	Budget	Sept 1, 2014 to December 31, 2014	January 1, 2015 to June 30, 2015	Total	Over (Under) Budget
<u>Revenues</u>					
State Contract	\$ 393,580	\$ --	\$ 393,580	\$ 393,580	\$ --
	\$ 393,580	\$ --	\$ 393,580	\$ 393,580	\$ --
<u>Expenses</u>					
State Aid	\$ 129,560	\$ --	\$ 128,869	\$ 128,869	\$ (691)
Administration	264,020	--	264,019	264,019	(1)
	\$ 393,580	\$ --	\$ 392,888	\$ 392,888	\$ (692)

CDDO-KDADS-087-2014

Comparison of Expenditures to Budget
For the Fiscal Year July 1, 2013 Through August 31, 2014 (as amended)

	Budget	Reported on in 2014 audit	July 1, 2014 to August 31, 2014	Total	Over (Under) Budget
<u>Revenues</u>					
State Contract	\$ 520,533	\$ 520,533	\$ --	\$ 520,533	\$ --
Amendment	86,756	--	86,756	86,756	--
	\$ 607,289	\$ 520,533	\$ 86,756	\$ 607,289	\$ --
<u>Expenses</u>					
State Aid	\$ 155,472	\$ 155,472	\$ --	\$ 155,472	\$ --
Administration	365,061	365,061	--	365,061	--
Amendment	86,756	--	86,756	86,756	--
	\$ 607,289	\$ 520,533	\$ 86,756	\$ 607,289	\$ --