

CLAY COUNTY, MISSOURI

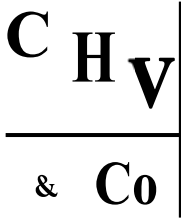
SINGLE AUDIT REPORT

FOR THE YEAR ENDED DECEMBER 31, 2018

Clay County, Missouri
Single Audit Report
For the Year Ended December 31, 2018

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COCHRAN HEAD VICK & CO., P.C.

Certified Public Accountants

**Independent Auditor's Report on Schedule of
Expenditures of Federal Awards Required by the Uniform Guidance**

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Kansas City, MO 64116
(816) 584-9955
Fax (816) 584-9958

And other offices in
Missouri and Kansas

To the Honorable County Commissioners
Clay County, Missouri

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Clay County, Missouri (the County) as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements. We issued our report thereon dated January 29, 2021, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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.

Cochran Head Vick & Co., P.C.

Kansas City, Missouri
January 29, 2021

ADDITIONAL INFORMATION

Clay County, Missouri
Schedule of Expenditures of Federal Awards
Year Ended December 31, 2018

Federal Grantor/ Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
U.S. Department of Health and Human Services:			
Passed through Missouri Department of Social Services:			
Child Support Enforcement - Title IV-D Reimbursement	93.563	1804MOCSES	\$ 423,371
Total U.S. Department of Health and Human Services			<u>423,371</u>
U.S. Department of Homeland Security:			
Passed through Missouri Department of Public Safety:			
Emergency Management Performance Grant	97.042	EMK-2018-EP-0003-028	105,179
Passed through State of Missouri Emergency Management Agency:			
Hazard Mitigation Grant	97.036	FEMA-4238-DR-MO	313,949
Total U.S. Department of Homeland Security			<u>419,128</u>
U.S. Department of Justice:			
Equitable Sharing Agreement	16.922	MO0240000	12,617
Passed through Kansas City Board of Police Commissioners:			
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	2016-JAG-002	58,644
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.738	2017-JAG-002	76,450
Passed through Missouri Department of Public Safety:			
Title II Formula Grant Program- Juvenile Detention Alternatives Initiative (JDAI)	16.540	2013-Title II-28	17,106
Total U.S. Department of Justice			<u>164,817</u>
U.S. Executive Office of the President:			
Passed through Kansas City Board of Police Commissioners:			
High Intensity Drug Trafficking Areas (HIDTA)	95.001	G17MW0005A	57,149
Total U.S. Executive Office of the President			<u>57,149</u>
U.S. Department of Transportation:			
Passed through Missouri Department of Transportation:			
Highway planning and construction cluster:			
Highway Planning and Construction Grant (Bridge No. 0620008)	20.205	BRO-BO24(26)	45,974
Highway Planning and Construction Grant (Bridge No. 1070009)	20.205	BRO-BO24(27)	102,726
Highway planning and construction cluster total			<u>148,700</u>
DWI Enforcement Grant	20.607	18-154-AL-175	2,717
Impaired Driving Enforcement/Task Force	20.607	18-154-AL-099	2,227
Subtotal			<u>4,944</u>
Highway safety cluster:			
Hazardous Moving Violation Enforcement Grant	20.600	18-PT-02-073	4,218
Highway safety cluster total			<u>4,218</u>
Airport Improvement Grant	20.106	17-107B-03	109,509
Total U.S. Department of Transportation			<u>267,371</u>
U.S. Department of the Treasury:			
Equitable Sharing Agreement	21.016	MO0240000	8,296
Total U.S. Department of the Treasury			<u>8,296</u>
Total Expenditures of Federal Awards			<u>\$ 1,340,132</u>

Clay County, Missouri
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended December 31, 2018

Note 1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Clay County, Missouri (County) for the year ended December 31, 2018. All federal awards received directly from federal agencies as well as those awards that are passed through other governmental agencies and expended during the year are included on the schedule of expenditures of federal awards. The information in this schedule is presented in accordance with the requirements of the OMB Compliance Supplement and the Uniform Guidance. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the financial statements.

Note 2. Significant Accounting Policies

Expenditures on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principals contained in Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowed or are limited as to reimbursement. Pass-through entity identifying numbers are presented where available.

Note 3. Local Government Contributions

Local cost sharing, as defined by Title 2 U.S. Code of Federal Regulations Part 200, 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 County's grant programs for economy and efficiency and program results which may result in disallowed costs to the County. However, management does not believe such audits would result in any disallowed costs that would be material to the County's financial position at December 31, 2018.

Note 5. Indirect Cost Rate

The County elected not to use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance, with the exception of those grants awarded through the Department of Health and Human Services.

Note 6. Subrecipients

There were no amounts passed through to subrecipients for the year ended December 31, 2018.

Clay County, Missouri
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Section 1 - Summary of Auditor's Results

Financial Statements:

Type Audit Report Issued on Financial Statements of Auditee
Unmodified

Internal Control Over Financial Reporting

No significant deficiencies reported. Material weaknesses identified.

See finding 2018-001 and 2018-002.

General Compliance

The audit did not disclose any instances of noncompliance which would be material to the financial statements which would be required to be reported in accordance with *Government Auditing Standards*.

Federal Awards:

Internal Control Over Major Programs

No significant deficiencies reported. No material weaknesses identified.

Type Audit Report Issued on Compliance for Major Programs

Unmodified

Audit Findings

The audit disclosed no audit findings that are required to be reported with the Uniform Guidance.

Major Programs

<u>CFDA Number</u>	<u>Name of Federal Program</u>
93.563	Child Support Enforcement – Title IV-D Reimbursement
97.036	Hazard Mitigation Grant

Dollar Threshold Used to Distinguish Between Type A and Type B Program

\$750,000

Auditee Qualified as a Low-risk Auditee

No

Clay County, Missouri
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Section 2 – Financial Statement Findings

2018-001 - Lack of internal controls over financial reporting – material weakness

Condition

Our audit procedures identified material adjustments that were required to properly report certain transactions of the County in accordance with generally accepted accounting principles. These adjustments were not initially identified by the County's internal controls over financial reporting.

Criteria

Management is responsible for establishing, maintaining, and monitoring internal controls over financial reporting, and for the fair presentation of the financial statements and related notes in conformity with U.S. generally accepted accounting principles. These controls should allow management or employees to prevent, or detect and correct, misstatements to the financial statements on a timely basis.

Cause

The County does not have proper procedures and controls in place to ensure the financial statements are prepared in accordance with generally accepted accounting principles.

Effect

The lack of proper procedures and controls in place over the preparation of the financial statements could potentially result in material misstatements of the financial statements and material departures from generally accepted accounting principles.

Repeat Finding

Yes – Finding 2017-001

Recommendation

We recommend that management establish a well-defined year-end closing processes and procedures to ensure that transactions are properly recorded and reported in accordance with generally accepted accounting principles. In addition, due to the complexities of financial reporting, we recommend that management explore various alternatives for improving the controls over financial reporting including the use of governmental accounting standards, reference guides and continuing education and training courses.

Management's Response/Planned Corrective Action

Management agrees with finding. See Corrective Action Plan.

2018-002—Certain audit adjustments from prior year audit not recorded in the general ledger—material weakness

Condition: Management approved audit adjustments identified during the 2017 audit that were recorded in the published financial statements approved by management. Subsequent to the audit however, management did not post all of these adjustments in the Eden general ledger. As a result of this, the Eden general ledger does not agree to the County's financial statements.

Criteria:

Management of the County is responsible for establishing and maintaining effective internal controls over financial reporting. These controls should allow management or employees to prevent, or detect and correct, misstatements to the financial statements on a timely basis. These controls should also include the posting of audit adjustments approved by management to the general ledger that were reported in the County's published financial statements.

Clay County, Missouri
Schedule of Findings and Questioned Costs
For the Year Ended December 31, 2018

Cause: The County does not have procedures and controls in place to ensure that all audit adjustments approved by management are recorded properly in the County's general ledger. Individuals authorized to post journal entries did not post all of the adjusting journal entries approved by management.

Effect: There was a significant audit adjustment proposed and recorded during the audit process because beginning fund balance in several of the fund statements did not agree or reconcile to the prior year financial statements. The lack of proper procedures and controls in place over this process could also potentially result in material misstatements of the financial statements and material departures from generally accepted accounting principles.

Repeat Finding

Yes – Finding 2017-002

Recommendation: We recommend management establish a well-defined year-end financial statement closing process, that includes recording manual journal entries and adjusting journal entries identified, in a timely manner.

Management's Response/Planned Corrective Action

Management agrees with finding. See Corrective Action Plan.

Section 3 – Federal Award Findings and Questioned Costs

Federal Award Findings Required to be Reported in Accordance with Uniform Guidance

None

Summary Schedule of Prior Audit Findings

None



From the Office of
Laurene Portwood
Assistant County Administrator
Finance & Administrative Services

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SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS FOR THE YEAR ENDED DECEMBER 31, 2018

The following are prior year findings with the corrective action proposed by the County and the updated status of that action:

Financial Statement Findings – Internal Control

2017-001:

Audit Finding: During the audit there were a significant number of audit adjustments proposed to the original trial balance that was presented to us at the beginning of the audit, which materially affected year-end balances, primarily relating to cutoff for accounts payable, the proper timing of expenditure recognition, the completeness of capital leases and transfers between funds.

Corrective actions taken or planned: The current Eden Financial System significantly complicates the process of supporting year-end Generally Accepted Accounting Principles (GAAP), which impacts the timeliness of preparing and issuing of the financial statements. The Finance Department will identify possible software solutions that convert from budgetary cash basis accounting to a modified accrual basis required under GAAP.

The Finance Department will enhance the new process for providing accounts payable listing to conform to the outside auditor's requirements. In 2018, the Finance Department will implement a year-end review process to ensure all accounts payable items are properly accounted for in the trial balance prior to audit field work. Staff will work with the County Auditor's office to create a new field within the Eden Financial System to properly record accounts payable.

This deficiency can be further corrected by 1) Moving control of the Eden Financial System to the Finance Department or; 2) The County Auditor moves forward with hiring another full time staff person which was approved in the 2018 budget.

Corrective Action Taken: Partially corrected. The Finance Department had a significant amount of year end closing completed for 2018 before fieldwork. In addition the process for accounts payable has been improved to allow for timely posting in subsequent years.

2017-002:

Audit Finding: Management approved audit adjustments identified during the 2016 audit and that were recorded in the published financial statements approved by management. Subsequent to the audit however, management did not post all of these journal entries in the Eden general ledger. As a result of this, the Eden general ledger does not agree to the County's financial statements and management instead performed a manual review between the Eden general ledger and the financial statements, however not all funds were properly reconciled.

Corrective actions taken or planned: The Finance Department established a process for reviewing journal entries and adjusted journal entries to final trial balance and submitted to County Auditor. The Finance Department will enhance the process in 2018 by providing documentation to the outside auditors showing this review has occurred. This deficiency can be further corrected by 1) Moving control of the Eden Financial System to the Finance Department or; 2) The County Auditor moves forward with hiring another full time staff person which was approved in the 2018 budget.

Corrective Action Taken: Partially corrected. The Finance Department has ensured that the majority of 2017 entries were posted to the general ledger and all 2018 entries will be posted. In addition, the Finance Department will work to get prior year entries in proper form to be posted to the general ledger.

2017-003:

Audit Finding: On February 27, 2017, the County approved Ordinance "2017-ORD-07," which authorized a transfer of restricted funds in the amount of \$379,482 from the Road and Bridge special revenue fund to the General Fund.

Corrective Action Taken: Corrected. The Finance Department has established a review process to ensure that the reconciliation of the adopted budget to actual cash balances does not adversely affect restricted funds and the funds have been transferred back to Road and Bridge.

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**AUDITOR
CLAY COUNTY, MISSOURI**

**Corrective Action Plan
YEAR ENDED DECEMBER 31, 2018**

Financial Statement Findings – Internal Control

Identifying number: 2018-001

Audit finding: Material adjustments were required to properly report certain transactions of the County in accordance with generally accepted accounting principles. These adjustments were not initially identified by the County’s internal controls over financial reporting.

The year-end trial balance provided by the County was not complete by the time field work for the outside audit began. This was primarily due to inefficient communications between the Finance Department, in charge of the financial statements and outside audit at the time, and the County Auditor’s office, who under State Statutes maintains the accounting system and makes the necessary journal entries affecting the trial balance.

Corrective actions taken or planned: Return primary responsibility for the financial statements and outside audit to the County Auditor’s office—who is also the County’s Accounting officer. The County Auditor will work directly with the Finance Department personnel to ensure year-end closing procedures are done correctly, so that the trial balance will be ready for the outside auditors by field work.

The County Auditor’s office attends mandatory annual training through the Missouri Association of County Auditors (MACA) with updates on GASB Statements, conducts CGAP CE, and has memberships with the IMA along with AICPA. The Chief Deputy Auditor is a MAcc and another Deputy Auditor is a CMA. The County Auditor’s office purchases the annual Governmental GAAP Guide and reviews it. Lessons from those CE requirements and GASB updates will be passed along for in-house training to coordinate with the Finance Department so that the County adheres to GAAP. The Finance Department additionally has an accounting major as manager along with a specialist who majored in finance. We further look forward to learning all we can from the outside auditors with their own expertise.

Name of contact persons: Victor S. Hurlbert, CGAP, Clay County Auditor, Telephone (816) 407-3592, Email vhurlbert@claycountymo.gov and Michael Reynolds, Finance Department Manager, Telephone (816) 407-3647, Email mreynolds@claycountymo.gov

Anticipated completion date: Prior to beginning of outside audit fieldwork for 2020 YE.

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Liberty, Missouri 64068

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Victor S. Hurlbert, CGAP
Clay County Auditor

vhurlbert@claycountymo.gov

AUDITOR
CLAY COUNTY, MISSOURI

Identifying number: 2018-002

Audit finding: Management approved audit adjustments identified during the 2017 audit that were recorded in the published financial statements approved by management. Subsequent to the audit however, management did not post all of these adjustments in the Eden general ledger. As a result of this, the Eden general ledger does not agree to the County's financial statements.

An entry proposed by the County's audit firm for the 2016 audit was never posted to the County's general ledger. It concerned the closing of a fund that was no longer needed for special road districts. The General Fund paid the settlement amounts to those road districts, but the proposed entry made it appear the Highway/Road & Bridge did so. The proposal also affected cash, which for segregation of duties purposes is controlled by the Treasurer.

Similarly, a County 2017 Budget true-up for cash carryover differences in the Road & Bridge Fund removed restricted funds out of it and to the General Fund. Since it again dealt with cash, it was not posted to the trial balance for the 2018 audit.

Corrective actions taken or planned: The road district matter was determined by management to require a prior period adjustment correction. The Road & Bridge true-up affecting cash was processed by the Treasurer in 2019.

Going forward the County Auditor will interface directly with the outside audit firm to resolve any questions for entries required to be posted. The Treasurer's office will be included when said entries must affect cash.

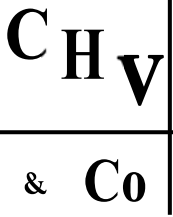
Name of contact persons: Victor S. Hurlbert, CGAP, Clay County Auditor, Telephone (816) 407-3592, Email vhurlbert@claycountymo.gov and Michael Reynolds, Finance Department Manager, Telephone (816) 407-3647, Email mreynolds@claycountymo.gov

Anticipated completion date: The Road & Bridge true-up affecting cash was processed and completed by the Treasurer in 2019.



COMPLIANCE REPORTS





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Certified Public Accountants

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And other offices in
Missouri and Kansas

**Independent Auditor's Report on Internal Control over Financial Reporting and
on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with Government Auditing Standards**

To the Honorable County Commissioners
Clay County, Missouri

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, each major fund, and the aggregate remaining fund information of Clay County, Missouri (the County) as of and for the year ended December 31, 2018 and the related notes to the financial statements, which collectively comprise the County's basic financial statements and have issued our report thereon dated January 29, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County'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 statement, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County'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. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item 2018-001 and 2018-002 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County'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 County's Response to the Findings

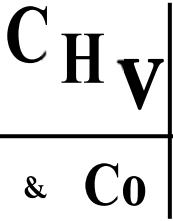
The County's responses to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. The County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 results of that testing, and not to provide an opinion on the effectiveness of the County'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 County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Cochran Head View & Co., P.C.

Kansas City, Missouri
January 29, 2021



COCHRAN HEAD VICK & CO., P.C.

Certified Public Accountants

Independent Auditor's Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance

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To the Honorable County Commissioners
Clay County, Missouri

Report on Compliance for Each Major Federal Program

We have audited Clay County, Missouri's (the County) 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 County's major federal programs for the year ended December 31, 2018. The County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

And other offices in
Missouri and Kansas

Management's Responsibility

Management is responsible for the compliance with federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

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

Opinion on Each Major Federal Program

In our opinion, the County complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal programs for the year ended December 31, 2018.

Report on Internal Control Over Compliance

Management of the County 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 County's internal control over compliance with the 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 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 County'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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

Cochran Head View & Co., P.C.

Kansas City, Missouri
January 29, 2021