

CITY OF ST. JOSEPH, MISSOURI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND INDEPENDENT AUDITORS' REPORTS AS REQUIRED
BY GOVERNMENT AUDITING STANDARDS, AND
UNIFORM GRANT GUIDANCE**

YEAR ENDED JUNE 30, 2019



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CITY OF ST. JOSEPH, MISSOURI

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
AND INDEPENDENT AUDITORS' REPORTS AS REQUIRED
BY *GOVERNMENT AUDITING STANDARDS*, AND
UNIFORM GRANT GUIDANCE
YEAR ENDED JUNE 30, 2019**

**CITY OF ST. JOSEPH, MISSOURI
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2019**

	<u>Page</u>
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 <i>Government Auditing Standards</i>	1
Independent Auditors' 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	3
Schedule of Expenditures of Federal Awards	6
Notes to Schedule of Expenditures of Federal Awards	10
Schedule of Findings and Questioned Costs	12
Summary of Auditors' Results	12
Financial Statement Findings	13
Federal Award Findings and Questioned Costs	15



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*

Honorable Mayor and Members of the City Council
City of St. Joseph, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the City of St. Joseph, Missouri (the City), as of and for the year ended June 30, 2019, 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 20, 2019.

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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Questioned Costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider the deficiency described as item 2019-001 in the accompanying schedule of findings and questioned costs to be a material weakness.

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. We consider the deficiency described as item 2019-002 in the accompanying schedule of findings and questioned costs to be a significant deficiency.

Compliance and Other Matters

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

City of St. Joseph, Missouri's Responses to Findings

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

Purpose of this Report

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



CliftonLarsonAllen LLP

St. Joseph, Missouri
December 20, 2019



INDEPENDENT AUDITORS' 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

Honorable Mayor and Members of the City Council
City of St. Joseph, Missouri

Report on Compliance for Each Major Federal Program

We have audited the City of St. Joseph, 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, 2019. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed 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 2019-003 and 2019-004. Our opinion on each major federal program is not modified with respect to these matters.

The City's response to the noncompliance findings 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.

Report on Internal Control Over Compliance

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

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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be a material weakness and significant deficiencies.

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 a 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2019-001 to be a material weakness.

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. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2019-003 and 2019-004 to be significant deficiencies.

The City of St. Joseph's Responses to Findings

The City'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 City's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

Purpose of this Report

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 result 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 City as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 20, 2019, 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 expenditure of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

St. Joseph, Missouri
December 20, 2019

**CITY OF ST. JOSEPH, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Federal Grantor/ Grant Name	Pass-through Grantor Number	Federal CFDA Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Agriculture:				
Passed Through Missouri Department of Health and Senior Services:				
State WIC Contract	ERS04518090	10.557	\$ -	\$ 144,579
State WIC Contract (Total 10.557 \$368,412)	ERS04519096	10.557	-	223,833
Child Nutrition Cluster:				
Summer Food Service Program for Children	ERS219-18012I	10.559	-	1,170
Total U.S. Department of Agriculture			<u>-</u>	<u>369,582</u>
U.S. Department of Housing and Urban Development:				
Direct Assistance/Programs:				
CDBG - Entitlement Grants Cluster				
2014 Entitlement	B-14-MC-290004	14.218	-	344,134
2015 Entitlement	B-15-MC-290004	14.218	-	4,278
2016 Entitlement	B-16-MC-290004	14.218	-	17,229
2017 Entitlement	B-17-MC-290004	14.218	-	24,130
2018 Entitlement	B-18-MC-290004	14.218	370,170	1,161,690
	Program Income Funded Expenditures	14.218	-	1,015,469
Total CDBG - Entitlement Grant Cluster			<u>370,170</u>	<u>2,566,930</u>
Home Investment Partnership Program				
2011 HOME Program	M-11-MC-29-0208	14.239	15,726	15,726
2012 HOME Program	M-12-MC-29-0208	14.239	4,675	4,675
2013 HOME Program	M-13-MC-29-0208	14.239	14,013	14,013
2014 HOME Program	M-14-MC-29-0208	14.239	103,277	103,277
2015 HOME Program	M-15-MC-29-0208	14.239	24,803	24,803
2016 HOME Program	M-16-MC-29-0208	14.239	51,927	51,927
2017 HOME Program	M-17-MC-29-0208	14.239	23,122	23,122
2018 HOME Program	M-18-MC-29-0208	14.239	18,229	18,229
	Program Income Funded Expenditures	14.239	-	59,229
Total Home Investment Partnerships Program			<u>255,772</u>	<u>315,001</u>
Total U.S. Department of Housing and Urban Development			<u>625,942</u>	<u>2,881,931</u>

(CONTINUED)

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF ST. JOSEPH, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Federal Grantor/ Grant Name	Pass-through Grantor Number	Federal CFDA Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Justice:				
Passed Through Missouri Department of Public Safety:				
Bulletproof Vest Partnership Program	18091106	16.607	-	8,142
Edward Byrne Memorial Justice Assistance Grant Program	2017-DJ-BX-0291	16.738	-	29,477
Edward Byrne Memorial Justice Assistance Grant Program (Total 16.738 \$45,618)	2018-DJ-BX-0176	16.738	-	16,141
Total U.S. Department of Justice			-	53,760
U.S. Department of Transportation:				
Passed through Missouri Department of Transportation:				
Airport Improvement Program	13-012A-1	20.106	-	246,038
Airport Improvement Program	14-012A-1	20.106	-	20,943
Airport Improvement Program	14-012A-1	20.106	-	37,147
Airport Improvement Program	14-012A-1	20.106	-	30,750
Airport Improvement Program	16-012A-1	20.106	-	221,540
Total Airport Improvement Program			-	556,418
Passed through Missouri Highways & Transportation Commission				
Highway Planning and Construction Cluster				
Transportation Enhancement Funds (118)	STP-5301 (118)	20.205	-	261,460
Transportation Enhancement Funds (117)	STP-5301 (117)	20.205	-	278,131
Transportation Enhancement Funds (119)	STP-5301 (119)	20.205	-	24,524
Total Highway Planning and Construction Cluster			-	564,115
FHWA -UPWP Planning (PL)	MO-81-0014	20.505	-	200,912
FHWA -UPWP Planning (PL)	PT-0077-18 K-DOT 5310	20.505	-	22,430
Total FHWA -UPWP Planning (PL)			-	223,342
Total Missouri Highways & Transportation Commission			-	787,457
Federal Transit Authority				
Federal Transit Cluster				
Federal Transit Formula Grants	MO-2018-014-01	20.507	-	1,441,095
Federal Transit Formula Grants	TSTOAG18SJ	20.507	-	19,297
Federal Transit Formula Grants	MO-16-X059	20.507	-	105,034
Federal Transit Formula Grants	MO-16-X052	20.507	-	8,388
Federal Transit Formula Grants	MO-2017-042-01	20.507	-	69,480
Federal Transit Formula Grants	MO-2017-042-01	20.507	-	136,869
Federal Transit Formula Grants	MO-34-0009/MO-16-X052	20.507	-	90,352
Federal Transit Formula Grants	MO-16-X052	20.507	-	120,000
Federal Transit Formula Grants	MO-2017-042-01	20.507	-	5,276
Total Federal Transit Cluster			-	1,995,791

(CONTINUED)

See accompanying Notes to Schedule of Expenditures of Federal Awards.

**CITY OF ST. JOSEPH, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019**

Federal Grantor/ Grant Name	Pass-through Grantor Number	Federal CFDA Number	Passed Through to Subrecipients	Federal Expenditures
Passed Through Missouri Division of Highway Safety				
National Highway Traffic Safety Administration	18-PT-02-005 (HNV)	20.600	-	1,381
National Highway Traffic Safety Administration	19-PT-02-035 (HNV)	20.600	-	5,739
National Highway Traffic Safety Administration	19-PT-02-067 (CLICK)	20.600	-	1,682
National Highway Traffic Safety Administration (Total 20.600 \$9,660)	19-PT-02-067 (S BELT)	20.600	-	858
National Highway Traffic Safety Administration (Total 20.616 \$495)	18-M2OP-05-020 (SAFETY)	20.616	-	495
Total Highway Safety Cluster			-	10,155
National Highway Traffic Safety Administration	18-154-AL-047 (NWMO)	20.607	-	2,153
National Highway Traffic Safety Administration	19-154-AL-029 (NWMO)	20.607	-	2,752
National Highway Traffic Safety Administration	18-154-AL-046 (SJ DWI)	20.607	-	666
National Highway Traffic Safety Administration	19-154-AL-028 (SJ DWI)	20.607	-	2,912
National Highway Traffic Safety Administration	18-154-AL-045 (Y ALC)	20.607	-	6,863
National Highway Traffic Safety Administration	19-154-AL-027 (Y ALC)	20.607	-	31,227
National Highway Traffic Safety Administration	19-154-AL-019 (Y DWI)	20.607	-	700
National Highway Traffic Safety Administration	19-154-AL-019 (HOL DWI)	20.607	-	600
National Highway Traffic Safety Administration	19-154-AL-019 (ST PATS)	20.607	-	600
National Highway Traffic Safety Administration	19-154-AL-019 (JULY 4)	20.607	-	484
Total National Highway Traffic Safety Administration			-	48,957
Total U.S. Department of Transportation			-	3,398,778
Environmental Protection Agency				
Passed Through Missouri Department of Natural Resources:				
Clean Water State Revolving Fund Cluster:				
Clean water State Revolving Funds - Blacksnake Creek Stormwater	C295699-03	66.458	-	8,978,231
Total Environmental Protection Agency			-	8,978,231

(CONTINUED)

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF ST. JOSEPH, MISSOURI
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

Federal Grantor/ Grant Name	Pass-through Grantor Number	Federal CFDA Number	Passed Through to Subrecipients	Federal Expenditures
U.S. Department of Health and Human Services				
Passed Through National Association of County & City Health Officials:				
Medical Reserve Corps	MRC-17-2394	93.008	-	2,081
Passed Through Substance Abuse/Mental Health Services:				
St. Joseph Youth Alliance grant	ALCOHOL COMP	93.243	-	3,975
Passed Through Missouri Department of Health and Senior Services:				
Public Health Emergency Preparedness	AOC18380102	93.069	-	62,553
Public Health Emergency Response	AOC19380213	93.354	-	30,115
Child Care and Development Block Grant (CCDF Cluster):				
Child Care and Development Block Grant	ERS220-17103	93.575	-	4,905
Child Care and Development Block Grant	DH180015059	93.575	-	268
Child Care and Development Block Grant	DH190013095	93.575	-	643
Total Child Care and Development Block Grant (CCDF Cluster)			-	5,816
Lead Poisoning Preventioan Health Education Program	AOC17380008	93.753	-	28,955
Medicaid Cluster:				
Medical Assistance Program	MOU MOO513-22	93.778	-	11,108
HIV Case Management	AOC12380228	93.917	-	63,495
HIV Case Management (Total 93.917 \$94,395)	AOC12380228	93.917	-	30,900
HIV Prevention Activities - Health Department Based	AOC17380095	93.940	-	33,302
HIV Prevention Activities - Health Department Based (Total 93.940 \$56,184)	AOC17380095	93.940	-	22,882
Maternal and Child Health Services Block Grant to the States	AOC18380131	93.994	-	34,209
Maternal and Child Health Services Block Grant to the States	AOC19380195	93.994	-	19,205
Maternal and Child Health Services Block Grant to the States (Total 93.994 \$54,414)	AOC17380074	93.994	-	1,000
Total U.S. Department of Health and Human Services			-	349,596
U.S. Department of Homeland Security				
Passed Through State Emergency Management Agency:				
Emergency Management Grant	EMW-2018-EP-00003-095	97.042	-	23,485
Emergency Management Grant	EMK-2019-EP-00001-105	97.042	-	23,024
Emergency Management Grant	EMK-2018-EP-00003-SL08	97.042	-	26,087
			-	72,596
Passed Through MO Region H				
Homeland Security Grant Program	EMW-2018-SS-00044	97.067	-	5,877
Total U.S. Department of Homeland Security			-	78,473
Total Expenditures of Federal Awards			\$	625,942
			\$	16,110,351

See accompanying Notes to Schedule of Expenditures of Federal Awards.

CITY OF ST. JOSEPH, MISSOURI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

NOTE 1 REPORTING ENTITY

The Schedule of Expenditures of Federal Awards presents the activities of federal award programs expended by the City of St. Joseph, Missouri. The City's reporting entity is defined in Note 1 to the financial statements.

NOTE 2 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the City of St. Joseph, Missouri under programs of the federal government for the year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of 2 CFR Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the City of St. Joseph, it is not intended to and does not present the financial position, changes in net position, or cash flows of the City of St. Joseph.

NOTE 3 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, 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 allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. The City did not elect to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

NOTE 4 LOCAL GOVERNMENT CONTRIBUTIONS

Local cost sharing, as defined by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, 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 5 ADDITIONAL AUDITS

Grantor agencies reserve the right to conduct additional audits of the City's grant programs for economy and efficiency and program results that may result in disallowed costs to the City of St. Joseph, Missouri. 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, 2019.

CITY OF ST. JOSEPH, MISSOURI
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2019

NOTE 6 FEDERAL LOANS OUTSTANDING

The City administers two revolving loan programs with federal funds. These programs, along with their respective outstanding balances at June 30, 2019, are as follows

Federal CFDA Number	Program	Loans Outstanding at June 30, 2019
14.218	Community Development Block Grants/Entitlement Grants	\$ 929,460
14.239	Home Investment Partnerships Program	<u>1,361,010</u>
	Total	<u><u>\$ 2,290,470</u></u>

The City also has outstanding loans through the Clean Water Direct Loan Program from the Missouri Department of Natural Resources, as a pass through agency for the Environmental Protection Agency (CFDA #66.458). As of June 30, 2019, the outstanding loan payable balances were \$11,443,900 Series 2013, \$49,121,000 Series 2014, \$25,059,000 Series 2014A, and \$48,095,742 Series 2017.

**CITY OF ST. JOSEPH, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2019**

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditor’s report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? X yes No
- Significant deficiency(ies) identified? X yes none reported

Noncompliance material to financial statements noted? yes X No

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? X yes No
- Significant deficiency(ies) identified? X yes none reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) X yes No

Identification of major programs:

<u>CFDA Numbers</u>	<u>Name of Federal Program or Cluster</u>
66.458	Capitalization Grants for Clean Water State Revolving Fund
14.218	Community Development Block Grant

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

Auditee qualified as low-risk auditee? yes X No

CITY OF ST. JOSEPH, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS

2019-001: Material Audit Adjustments

Type of Finding: Material Weakness in Internal Control over Financial Reporting

Criteria: An effective internal control system over financial reporting provides reasonable assurance that assets are safeguarded against loss and theft, and that reliable financial statements are prepared in accordance with the appropriate accounting standards and in compliance with applicable laws and regulations.

Condition/Context: The City's current yearend closing procedures and processes resulted in account balances being materially misstated on the City's financial statements and Schedule of Expenditures of Federal Awards. As a result, material audit adjustments were necessary. A similar finding was reported in 2018 as finding 2018-001.

Effect: Material adjustments were proposed throughout the audit and subsequently recorded by management.

Cause: The City's current procedures and processes were not sufficient to ensure all accounts are adjusted to their appropriate year-end balances in accordance with GAAP.

Recommendation: In order to strengthen internal controls, we recommend management enhance its internal controls over financial reporting, procedures, and processes to ensure complete and accurate financial reporting. Year-end closing procedures should be expanded to ensure all transactions have been accounted for, and are recorded in the proper period. Prior to the audit, the City should reconcile all accounts to the general ledger. Management should perform a detail review of the financial statements and supporting schedules to ensure they are fairly stated.

Management Response: Due to recent turnover and cross-training in the department, not all accounts were reviewed as in the past. A monthly reconciliation and closing process continues to be implemented that will reconcile all balance sheet accounts and allow for revenue and expense analysis and to ensure all transactions have been accounted for, are recorded in the proper period, and the financial statements and supporting schedules are fairly stated.

CITY OF ST. JOSEPH, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019

SECTION II – FINANCIAL STATEMENT FINDINGS (CONTINUED)

2019-002: Journal Entries

Type of Finding: Significant Deficiency in Internal Control over Financial Reporting

Criteria: An effective internal control system over financial reporting provides reasonable assurance that assets are safeguarded against loss and theft, and that reliable financial statements are prepared in accordance with the appropriate accounting standards and in compliance with applicable laws and regulations.

Condition/Context: We noted that a journal entry was posted to the general ledger system that did not have the proper approvals before being posted. A similar finding was reported in 2018 as finding 2018-002.

Effect: Journal entries, without an additional documented review, could be inaccurate, or provide an opportunity for fraud to occur.

Cause: The City's current procedures and processes allow for certain staff to enter journal entries without a documented review.

Recommendation: We recommend that the City implement procedures to prevent the same staff from entering and approving journal entries, and that approvals follow the proper channels.

Management Response: Due to recent staffing changes, the Administrative Services Department will review and reassign these functions to separate individuals.

**CITY OF ST. JOSEPH, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2019-003 DOCUMENTATION OF WORK AND EFFORT PERFORMED

Federal Agency: Housing and Urban Development

Federal Program Title: Community Development Block Grant

CFDA Number: 14.218

Grant Year: 2014, 2015, 2016, 2017, 2018

Award Number: Various

Pass-Through Agency: None

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria: The City is to charge payroll as a direct cost of the program and not as an indirect cost.

Condition: The City is charging 35% of an individual's salary and benefits as an indirect cost.

Context: Salary and benefits are being charged to the program as an indirect cost and is not being tracked for time or effort to the program.

Questioned Costs: \$35,808

Cause: The City is not charging the salary and benefits based on the actual time spent on the CDBG program.

Effect: The program could be over/under charging salary and benefits due to a lack of proper documentation of time and effort.

Recommendation: The City should report actual time spent working on the program instead of estimated time on the program.

Management Response: This finding was noted during the already commenced 2019 fiscal year and changes have been implemented in the 2020 fiscal year.

**CITY OF ST. JOSEPH, MISSOURI
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2019**

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

2019-004 CDBG Reporting

Federal Agency: Housing and Urban Development

Federal Program Title: Community Development Block Grant

CFDA Number: 14.218

Grant Year: 2014, 2015, 2016, 2017, 2018

Award Number: Various

Pass-Through Agency: None

Type of Finding: Significant Deficiency in Internal Control over Compliance

Criteria: The City is to file the Form 425 (SF-425) to the HUD Field Office by the end of the first month after each quarter.

Condition: It was noted during the audit that the City did not file the required reports during the fiscal year.

Context: The Office of Management and Budget (OMB) requires the submission of the Federal Financial Report Standard Form 425 (SF-425) to the HUD Field Office. OMB requires the quarterly submission of the SF 425 report in order to obtain financial information from recipients of Federal funding assistance.

Questioned Costs: N/A

Cause: The City failed to file the required reports during the fiscal year.

Effect: The City is not in compliance with this reporting requirement

Recommendation: The City develop a process to complete and file the required reports within the allotted timeframe.

Management Response: The City will review the policies and procedures in place for the CDBG reporting requirements and will implement changes to ensure applicable federal compliance requirements will be met.

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