

**CITY OF SHAWNEE, OKLAHOMA**  
**SINGLE AUDIT REPORTS**  
**AND SUPPLEMENTARY SCHEDULES**

**June 30, 2019**

CITY OF SHAWNEE, OKLAHOMA

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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 Mayor and Members of the City Council of the  
City of Shawnee, Oklahoma

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, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Shawnee, Oklahoma (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 23, 2019. Other auditors audited the financial statements of the Shawnee Civic and Cultural Development Authority as described in our report on the City's financial statements. This report does not include the results of the other auditors' testing of internal controls 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 City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

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

Our consideration of internal control 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **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 two instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as findings 2019-001 and 2019-002.

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

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "Arledge & Associates, P.C." in a cursive script.

December 23, 2019, except for paragraphs 5 and 6,  
as to which the date is February 4, 2020



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

To the Honorable Mayor and Members of the City Council of the  
City of Shawnee, Oklahoma

**Report on Compliance for Each Major Federal Program**

We have audited the City of Shawnee, Oklahoma'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 auditor's 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.

***Auditor's 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.

**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 material effect on each major federal program to determine the auditing procedures that are appropriate in the

circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. 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.

#### **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, the discretely presented component unit, 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 23, 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 expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



February 4, 2020

CITY OF SHAWNEE, OKLAHOMA  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Federal Expenditures</i>
<b>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT</b>			
Community Development Block Grant :			
Entitlement	14.218	B17MC40007	\$ 157,882
Entitlement	14.218	B18MC40007	122,526
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>280,408</u>
<b>U.S. DEPARTMENT OF JUSTICE</b>			
Passed through International Association of Chiefs of Police			
Crime Victim Assistance	16.582	2016VFGXK024	221,082
Passed through District Attorney's Council			
Crime Victim Assistance	16.575	2018VOCACI158	48,593
Crime Victim Assistance	16.575	2017VOCACI037	5,506
Passed through Oklahoma Bureau of Narcotics			
Public Safety Partnership and Community Policing Grants	16.710		9,850
Public Safety Partnership and Community Policing Grants	16.710	2017UMWX0088	75,862
Edward Byrne Memorial Justice Assistance Grant	16.738	2017DJBX0080	20,979
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>381,872</u>
<b>U.S. DEPARTMENT OF TRANSPORTATION</b>			
Airport Improvement Program	20.106	34000880182018	559,483
Passed through Oklahoma Department of Public Safety			
State and Community Highway Safety	20.600	SE19030913	29,574
State and Community Highway Safety	20.600	SE18030512	8,187
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			<u>597,244</u>
<b>U.S. DEPARTMENT OF HOMELAND SECURITY</b>			
Passed through Oklahoma Department of Emergency Management			
Federal Emergency Performance Grant	97.042	EMPG 2019	37,500
Federal Emergency Performance Grant	97.042	EMPG 2018	12,500
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			<u>50,000</u>
<b>TOTAL EXPENDITURES OF FEDERAL AWARDS</b>			<u><u>\$ 1,309,524</u></u>

See notes to schedule of expenditures of federal awards.

CITY OF SHAWNEE, OKLAHOMA

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2019

NOTE A—BASIS OF PRESENTATION

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

NOTE B—SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the SEFA are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The City has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.



CITY OF SHAWNEE, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2019

**Section I--Summary of Auditor's Results**

*Financial statements*

Type of auditor's report issued on whether the financial statements  
were in accordance with GAAP:

*Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☒ yes ☐ no

*Federal Awards*

Internal control over major federal programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Significant deficiency(ies) identified? ☐ yes ☒ none reported

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

*Unmodified*

Any audit findings disclosed that are required to be reported in  
accordance with 2 CFR 200.516(a)?

☐ yes ☒ no

Identification of major federal programs:

Program

Airport Improvement Program

CFDA Number

20.106

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

\$750,000

Auditee qualified as low-risk auditee?

☐ yes ☒ no

CITY OF SHAWNEE, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

Year Ended June 30, 2019

**Section II--Findings Required to be Reported in Accordance with *Government Auditing Standards*:**

See findings 19-001 and 19-002 on the following pages.

**Section III--Findings Required to be Reported in Accordance with the Uniform Guidance:**

None to report for the June 30, 2019, period.

CITY OF SHAWNEE, OKLAHOMA

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2019

**Finding 19-001 - Budgeted Appropriations**  
(Repeat Finding)

*Criteria:* Oklahoma State Law prescribes that no encumbrances or expenditures may be authorized or made by an officer or employee that exceeds the available appropriations for each object category within a department or fund.

*Condition:* Expenditures exceeded appropriations at the legal level of control as follows:

<u>Fund</u>	<u>Category</u>	<u>Amount</u>
General	General Government	\$8,741

*Cause:* Proper oversight of budgetary limitations were not in place. In addition, adjustments at or near year-end result in budget overruns.

*Effect or Potential Effect:* Expenditures exceed appropriations at the legal level of control.

*Recommendation:* We recommend the City adopt formal budget amendments, especially at or near year-end by department.

*City's Response:* Management will review all funds and departments periodically to ensure any required budget amendments are completed and approved prior to expenditures exceeding budgets at the legal level of control.

CITY OF SHAWNEE, OKLAHOMA

SCHEDULE OF FINDINGS AND RESPONSES

Year Ended June 30, 2019

**Finding 19-002 Negative Fund Balance**

(Repeat Finding with regards to the General Fund and Street and Alley Fund)

*Criteria:* Oklahoma law prescribes that the City may not have a negative fund balance.

*Condition:* The General Fund reports a \$88,185 deficit fund balance. The Street and Alley Fund reports an \$31,505 deficit fund balance. The Capital Improvement Fund reports an \$361,718 deficit fund balance.

*Cause:* Controls were not sufficient to ensure that proceeds were placed in the General Fund, Street and Alley Fund and Capital Improvement Fund prior to the incurrence of liabilities in accordance with State law.

*Recommendation:* We recommend that the City put procedures in place to ensure that restricted or assigned funds be spent only for their intended purposes and that negative fund balances be monitored and spending constrained or that the City reimburse this fund from other sources.

*City's Response:* The City will monitor fund balances and make transfers as necessary to maintain a positive fund balance.

CITY OF SHAWNEE, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2019

**Finding 18-001 - Budgeted Appropriations**  
(Repeat Finding)

*Criteria:* Oklahoma State Law prescribes that no encumbrances or expenditures may be authorized or made by an officer or employee that exceeds the available appropriations for each object category within a department or fund.

*Condition:* Expenditures exceeded appropriations at the legal level of control as follows:

<u>Fund</u>	<u>Department</u>	<u>Amount</u>
General	General Government	\$444,052
General	Public Safety	\$671,258
General	Culture and Recreation	\$76,308

*Cause:* Proper oversight of budgetary limitations were not in place. In addition, adjustments at or near year-end result in budget overruns.

*Effect or Potential Effect:* Expenditures exceed appropriations at the legal level of control.

*Recommendation:* We recommend the City adopt formal budget amendments, especially at or near year-end by department.

*City's Response:* Management will review all funds and departments periodically to ensure any required budget amendments are completed and approved prior to expenditures exceeding budgets at the legal level of control.

*Current Year Status:* See current year finding 19-001.

CITY OF SHAWNEE, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year Ended June 30, 2019

**Finding 18-002 Negative Fund Balance**

(Repeat Finding with regards to the General Fund and Street and Alley Fund)

*Criteria:* Oklahoma law prescribes that the City may not have a negative fund balance.

*Condition:* The General Fund reports a \$1,160,615 deficit fund balance. The Street and Alley Fund reports an \$11,044 deficit fund balance. The Hotel/Motel Fund reports an \$83,693 deficit fund balance.

*Cause:* Controls were not sufficient to ensure that proceeds were placed in the General Fund, the Street and Alley Fund and the Hotel/Motel Fund prior to the incurrence of liabilities in accordance with State law.

*Recommendation:* We recommend that the City put procedures in place to ensure that restricted or assigned funds be spent only for their intended purposes and that negative fund balances be monitored and spending constrained or that the City reimburse these funds from other sources.

*City's Response:* The City will monitor fund balances and make transfers as necessary to maintain a positive fund balance.

*Current Year Status:* See current year finding 19-002.