

CITY OF BROKEN ARROW, OKLAHOMA

**SINGLE AUDIT REPORTS
AND SUPPLEMENTARY SCHEDULES**

June 30, 2018

CITY OF BROKEN ARROW, OKLAHOMA

June 30, 2018

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SINGLE AUDIT REPORTS AND SUPPLEMENTARY SCHEDULES:

Reports related to financial statements of the reporting entity

Required by GAO *Government Auditing Standards*:

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*

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**Reports related to Federal Assistance Programs Required by Title 2 U.S. Code
of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost
Principles, and Audit Requirements for Federal Awards*:**

Independent Auditor's Report on Compliance for Each Major 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

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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
City of Broken Arrow, 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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Broken Arrow, Oklahoma (the "City"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated April 30, 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.

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 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 no instances of noncompliance or other matters that is required to be reported under *Government Auditing Standards*.

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 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.

Arledge & Associates, P.C.

April 30, 2019



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
City of Broken Arrow, Oklahoma

Report on Compliance for Each Major Federal Program

We have audited the City of Broken Arrow, 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, 2018. 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, 2018.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which is described in the accompanying schedule of findings and questioned costs as finding 2018-001. Our opinion on each major federal program is not modified with respect to this matter.

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

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.

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 aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated April 30, 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.

Arledge & Associates, P.C.

April 30, 2019

CITY OF BROKEN ARROW, OKLAHOMA

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2018

<i>Federal Grantor/Pass-Through Grantor/Program Title</i>	<i>Federal CFDA Number</i>	<i>Pass-Through Entity Identifying Number</i>	<i>Passed Through to Subrecipients</i>	<i>Federal Expenditures</i>
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT				
Passed through Tulsa County CDBG Urban County				
Community Development Block Grant/Entitlement Grant	14.218	B-16-UC-40-0001	58,099	606,796
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			58,099	606,796
U.S. DEPARTMENT OF JUSTICE				
Passed through Oklahoma District Attorney's Council				
Crime Victim Assistance	16.575	VOCA CI-028	-	1,271
Crime Victim Assistance	16.575	2017-VA-GX-0003	-	34,816
Edward Byrne Memorial Justice Assurance Grant	16.738	2015-DJ-BX-0594	-	
Edward Byrne Memorial Justice Assurance Grant	16.738	2016-DJ-BX-0274	-	7,879
Equitable Sharing Program	16.922		-	119,308
TOTAL U.S. DEPARTMENT OF JUSTICE			-	163,274
U.S. DEPARTMENT OF TRANSPORTATION				
<i>Highway Safety Cluster</i>				
Passed through Oklahoma Highway Safety Office				
State and Community Highway Safety	20.600	AL-17-03-01-17	-	17,982
State and Community Highway Safety	20.600	SE-18-03-01-18	-	52,835
State and Community Highway Safety	20.600	MC-18-02-02-18	-	272
<i>Total Highway Safety Cluster</i>			-	71,089
Passed through Oklahoma Department of Transportation				
Highway Planning and Construction	20.205	STP-172A(457)IG	-	607,298
<i>Total Highway Planning and Construction</i>			-	607,298
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			-	678,387
U.S. DEPARTMENT OF HOMELAND SECURITY				
Staffing for Adequate Fire & Emergency Response (SAFER)	97.083	EMW-2014-FH-00244	-	113,005
Staffing for Adequate Fire & Emergency Response (SAFER)	97.083	EMW-2015-FH-00433	-	765,413
Assistance to Firefighters Grant	97.044	EMW-2016-FO-01771	-	120,170
TOTAL U.S. DEPARTMENT OF HOMELAND SECURITY			-	998,588
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ 58,099	\$ 2,447,045

See notes to schedule of expenditures of federal awards.

CITY OF BROKEN ARROW, OKLAHOMA
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2018

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, 2018. 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 as allowed under the Uniform Guidance.

NOTE C—SUBRECIPIENTS

Of the federal expenditures presented in this schedule, the City provided federal awards to subrecipients as follows:

Program	CFDA Number	Subrecipient	Amount Provided
Community Development Block Grant/ Entitlement Grants	14.218	Broken Arrow Neighbors	22,964
Community Development Block Grant/ Entitlement Grants	14.218	Broken Arrow Seniors	18,134
Community Development Block Grant/ Entitlement Grants	14.218	Child Abuse Network	<u>17,001</u>
			<u><u>\$ 58,099</u></u>

CITY OF BROKEN ARROW, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

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:

<u>Program</u>	<u>CFDA Number</u>
Community Development Block Grant/Entitlement Grant	14.218
Highway Planning and Construction	20.205

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

Auditee qualified as low-risk auditee? yes no

CITY OF BROKEN ARROW, OKLAHOMA

SCHEDULE OF FINDINGS AND QUESTIONED COSTS--Continued

Year Ended June 30, 2018

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

None to report for the June 30, 2018 period.

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

Finding 2018-001: Reporting - Repeat Finding

Criteria: The deadline for filing the 2018 Broken Arrow Single Audit Report under the Uniform Guidance was March 31, 2019.

Condition: The financial statements and schedule of expenditures of federal awards (SEFA) were not completed in time to upload to the Federal Audit Clearing House by the March 31, 2019 deadline.

Cause and Effect: A prior vacancy in the Director of Finance position was filled in the current fiscal year, and procedures are being put into place to meet the required timeline. It is noted that there was an improvement over the prior fiscal year, however, there was not enough time in the current year to allow all of these procedures to become fully implemented to meet current year deadline.

Recommendation: We recommend the City continue to work towards fully implementing their procedures and steps to meet the March 31 deadline in future fiscal years.

City's response: The City over the last fiscal year has worked on year end procedures that should take care of this one finding and it should not be an issue in the future.

CITY OF BROKEN ARROW, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

Finding 2017-001: Material Misstatements

Criteria: The City is required to have effective internal controls established and maintained to prevent, or detect and correct material misstatements in the annual financial statements on a timely basis.

Condition: Beginning fund balances were materially restated to adjust for capital assets not properly accounted for. Through audit procedures, a material adjustment to increase liabilities was also identified.

Cause and Effect: The design of the City's internal control system was not sufficient to detect the errors in the normal course of employees performing their assigned functions. As such, the City did not prevent or detect errors, including some that were material, in its financial statements.

Recommendation: We recommend the City develop and implement controls and checklists to review and monitor that all necessary accrual and modified accrual journal entries are being accounted for in the financials.

Current year status: This finding has been resolved in the current period.

Finding 2017-002: Cash Reconciliations

Criteria: Bank statements should be reconciled to the general ledger on a regular basis and controls should be in place to review and monitor the reconciliation process.

Condition: The City's June 2017 pooled cash reconciliation did not agree to the general ledger. Furthermore, the City did not have proper monitoring controls in place to review the reconciliation of the pooled cash account from the bank statement to the general ledger system.

Cause and Effect: The pooled cash account was not reconciled to the general ledger. It was further noted that it did not appear that the City had controls and procedures in place to review the bank reconciliation being performed.

Recommendation: We recommend the City develop controls to perform monthly bank reconciliations that agree to the general ledger including implementing steps wherein someone outside of the reconciliation process will monitor and review those monthly reconciliations.

Current year status: This finding has been resolved in the current period.

Finding 2017-003 Reporting – Repeat Finding

Criteria: The deadline for filing the 2017 Broken Arrow Single Audit Report under the Uniform Guidance was March 31, 2018.

CITY OF BROKEN ARROW, OKLAHOMA

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2018

Condition: The financial statements and schedule of expenditures of federal awards (SEFA) were not completed in time to upload to the Federal Audit Clearing House by the March 31, 2018 deadline.

Cause and Effect: The Director of Finance was unavailable during parts of the time period when the financial statements are normally drafted. Other staff members did not have the time and/or knowledge needed to prepare and review the financial statements.

Recommendation: We recommend the City review its processes for completing its financial statements and SEFA schedule and create a contingency plan should similar circumstances arise in the future.

Current year status: This finding will be repeated as finding 2018-001.