



The Honorable County Executive and Members of the County Legislature
Jackson County, Missouri

We are pleased to present this report related to our audit of the financial statements of Jackson County, Missouri (County) as of and for the year ended December 31, 2021. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the County's financial reporting process.

This report is intended solely for the information and use of the County Executive, County Legislature and management and is not intended to be, and should not be, used by anyone other than these specified parties.

Consistent with the requirement to promote effective communication between the auditor and those charged with governance, the following summarizes our responsibilities regarding the financial statement audit as well as observations arising from our audit that are significant and relevant to your responsibility to oversee the financial reporting process.

This letter includes other comments and suggestions with respect to matters that came to our attention in connection with our audit of the County's financial statements. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the County's practices and procedures.

The following summarizes various matters that must be communicated to you under auditing standards generally accepted in the United States of America.

Our Responsibilities With Regard to the Financial Statement and Compliance Audit

Our responsibilities under auditing standards generally accepted in the United States of America, *Government Auditing Standards* issued by the Comptroller General, have been described to you in our arrangement letter dated February 11, 2022. Our audit of the financial statements does not relieve management or those charged with governance of their responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have issued a separate communication dated February 11, 2022 regarding the planned scope and timing of our audit and identified significant risks. We made no significant changes to the scope or timing of our procedures.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices - Under generally accepted accounting principles, in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies - Management has the ultimate responsibility for the appropriateness of the accounting policies used by the County. The County did not adopt any significant new accounting policies, nor have there been any changes in existing significant accounting policies during the current year.

The Government Accounting Standards Board (GASB) has issued several statements not yet implemented by the County. The County's management has not yet determined the effect these statements will have on the County's financial statements. However, the County plans to implement all standards by the required dates. The statements which might impact the County are discussed in Note 1 to the financial statements.

Significant Accounting Policies - We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant or Unusual Transactions - We did not identify any significant or unusual transactions.

Management's Judgments and Accounting Estimates - Accounting estimates are an integral part of the preparation of financial statements and are based upon management's current judgment. The process used by management encompasses their knowledge and experience about past and current events, and certain assumptions about future events. You may wish to monitor throughout the year the process used to determine and record these accounting estimates. The following describes the significant accounting estimates reflected in the County's financial statements.

- *Total Other Post-Employment Benefit (OPEB) Liability*: The County contracts with an external actuary to develop an estimate for the annual OPEB cost, which pertains to health care offered to retirees. The amount calculated by the actuary is then reduced by actual claims paid for retirees, resulting in a total OPEB liability at year-end to record as a liability. As a basis for our conclusions, we reviewed the actuarial report for reasonableness and verified and recalculated the information provided in the report.
- *Net pension liability*: The County follows guidelines in GASB Statement No. 68 and 82 for reporting its proportionate share of the collective net pension liability. This included obtaining the plan's audited financial statements as of June 30, 2021, which was audited by other auditors. As a basis for our conclusions, we reviewed the plan's report and actuarial report for reasonableness and verified and recalculated the County's information provided in the reports.
- *Compensated absences* - Management's estimates of accrued compensated absences are based on a list of accumulated vacation, sick and comp time through December 31, 2021, from the County's payroll system and calculations per the County's policy to permit employees to accumulate certain amounts of vacation and sick leave, which are discussed in Note 1. As a basis for our conclusion, we reviewed key factors and assumptions used to calculate the accrued compensated absences for reasonableness.
- Management estimates of the allowances for doubtful accounts are based on historical revenues, historical loss levels, and analysis of the collectability of individual accounts. We evaluated the key factors and assumptions used to develop the allowances for reasonableness.

Audit Adjustments

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

Uncorrected Misstatements

We are not aware of any uncorrected misstatements other than misstatements that are clearly trivial.

Management Representations

In connection with our audit procedures, we have obtained a written management representation letter. This representation letter constitutes written acknowledgments by management that it has the primary responsibility for the fair presentation of the financial statements in conformity with generally accepted

accounting principles and also includes the more significant and specific oral representations made by officers and employees during the course of the audit. The letter is intended to reduce the possibility of misunderstandings between us and the County and reminds the signing officers to consider seriously whether all material liabilities, commitments and contingencies or other important financial information have been brought to our attention.

Other Information included in Annual Reports

Our responsibility for other information included in annual reports is to read the information and consider whether its content or the manner of its presentation is materially inconsistent with the financial information covered by our auditor's report, whether it contains a material misstatement of fact or whether the other information is otherwise misleading. We read the County's Introductory and Statistical sections and did not identify material inconsistencies with the audited financial statements.

Observations about the Audit Process

We did not discuss with management any alternative treatments within generally accepted accounting principles for accounting policies and practices related to material items during the current audit year; we encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the financial statements; we are not aware of any consultations management had with other accountants about accounting or auditing matters; no significant issues arising from the audit were discussed or the subject of correspondence with management; we did not encounter any difficulties in dealing with management relating to the performance of the audit; and we did not encounter any significant difficult or contentious matters that required consultation outside the engagement team.

Other Matters

This letter includes other comments and suggestions with respect to matters that came to our attention in connection with our audit of the County's financial statements. These items are offered as constructive suggestions to be considered part of the ongoing process of modifying and improving the County's practices and procedures.

Cybersecurity Risk

Effective cybersecurity risk management has never been more important than in today's environment. Boards of directors, owners and executive management (the governance team) face an enormous challenge: to oversee how the organization manages cybersecurity risk.

An effective cybersecurity risk management program provides reasonable, but not absolute, assurance that material breaches are prevented or detected, and mitigated in a timely manner. The combined effects of an organization's dependency on IT, the complexity of IT networks and business applications, extensive reliance on third parties and human nature (i.e., susceptibility to social engineering) are only likely to increase the need for effective cybersecurity risk management programs. Elements of an effective cyber risk management program should include:

- A comprehensive and documented risk assessment. Such assessment should not fall solely on the IT team. It is a governance and management challenge that should involve executive management and others charged with governance.
- Control assessments should include, at a minimum, an information technology systems general controls review, social engineering testing and, potentially, internal and/or external penetration testing.

- A vulnerability assessment will identify potential network vulnerabilities that can leave a company open to significant risk. Using automated scanners, this will help the organization identify and resolve vulnerabilities before they are exploited by cybercriminals.

Comprehensive Policy and Procedure Review



Given the broad and deep scope of your operations, you should consider completing a comprehensive evaluation of the adequacy and effectiveness of the entity's internal financial policies, processes and procedures, including a comparison to best practices among organizations the same size.

For entities that have experienced budget cuts in the finance area or those that have experienced turnover, a periodic review of controls is imperative. Even if your finance team has been stable over the years, we remind you that even the best design of controls is only as good as the people who carry out and execute such controls.

Financial policies, procedures and processes are a key element of sound fiscal administration. When policies are effective, they can preserve or enhance the fiscal health and wealth of the organization and create efficiencies for staff members.

This comprehensive evaluation could include:

1. Evaluation of existing controls
2. Identification of financial policies that could lead to vulnerability to fraud and/or abuse
3. For those identified weaknesses and risks, recommendations for improvements

AGHUniversity Resources

As part of AGH's ongoing commitment to serve as a trusted advisor, we offer these resources as a key part of the additional value AGH provides beyond the engagement itself:

- AGHUniversity.com - a full schedule of complimentary CPE or current and relevant topics and other updates to clients throughout the year. Free registration and webinars are available for the Company's staff and board members at aghuniversity.com. A sample of recent topics include Management and Key Position Succession Planning; Destroying the Myths about Employee Engagement; Preventing Fraud in Small and Medium Sized Organizations; Measuring What Matters in Your 401K Plan to Recruitment, Retention and Reward; Planning The Transition: Taking Your Company To Market; and The How and Why of Business Valuations.
- AGH alerts and newsletters - this includes periodic mailings or emails to alert clients to new accounting standards or regulatory changes.

- Also available from the home page of www.aghlc.com are COVID-19 resources for employers and taxpayers. You can access tax and HR-related alerts, webinars and other third-party resources to help you navigate through the COVID-19 pandemic.

Closing

We will be pleased to respond to any questions you have about this report or set up an introductory meeting to discuss the other recommendations at no charge. We appreciate the opportunity to continue to be of service to Jackson County, Missouri.

Allen, Gibbs & Houlik, L.C.
CERTIFIED PUBLIC ACCOUNTANTS

Overland Park, Kansas
June 24, 2022