

OGDEN CITY CORPORATION

**Supplemental Report in Compliance with
Government Auditing Standards, Uniform
Guidance, Other Required Compliance Reports**

June 30, 2020

HBME

CERTIFIED PUBLIC ACCOUNTANTS

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COMMITTED. EXPERIENCED. TRUSTED

**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***

Independent Auditor's Report

To the Mayor and Members of the City Council
Ogden City Corporation

We have audited, in accordance with 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 Ogden City Corporation (the City) as of and for the year ended June 30, 2020, 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 28, 2020.

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 City'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 over financial reporting 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 financial reporting that might be material weaknesses or significant deficiencies, therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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.

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.

HBMC, LLC

March 15, 2021



COMMITTED. EXPERIENCED. TRUSTED

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH THE UNIFORM GUIDANCE

CERTIFIED PUBLIC ACCOUNTANTS

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To the Mayor and Members of the City Council
Ogden City Corporation

Report on Compliance for Each Major Federal Program

We have audited Ogden City Corporation (the City) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (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, 2020. 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 the requirements of laws, regulations, contracts, and grants applicable to each of its major 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 requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 of the City's 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, Ogden City Corporation 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, 2020.

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 item 2020-01. Our opinion on each federal program is not modified with respect to this matter.

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

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 as a basis for designing 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified a certain deficiency in internal control over compliance, described in the accompanying schedule of findings and questioned costs as item 2020-01, that we consider to be a significant deficiency.

Management's response to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. Management's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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 by the Uniform Guidance

We have audited the financial statements of the governmental 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, 2020, and the related notes to the financial statements, which collectively comprise the City's basic financial statements. We issued our report thereon dated December 28, 2020, 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 audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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.

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 results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

HBMC, LLC

March 15, 2021

OGDEN CITY CORPORATION
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Pass Through Grant No.	Disbursements/ Expenditures
U.S. Department of Housing And Urban Development			
Direct Awards			
Community Development Block Grant	14.218		\$ 2,142,280
Home Investment Partnership Program	14.239		<u>1,073,016</u>
Total U.S. Department of Housing and Urban Development			<u>3,215,296</u>
U.S. Department of Justice			
Direct Awards			
Bullet Proof Vest Partnership - 2018	16.607		7,263
Bullet Proof Vest Partnership - 2019	16.607		1,907
Justice Assistance Grant	16.738	2016-DJ-BX-0812	9,986
Justice Assistance Grant	16.738	2017-DJ-BX-0757	6,615
National Sexual Assault Kit Initiative	16.833		761
COVID-19: BJA - Coronavirus Emergency Supplement Program	16.034	2020-VD-BX-0887	57,961
Equitable Sharing	16.922		<u>24,109</u>
Total Direct Awards			<u>108,602</u>
Pass Through from Utah CCJJ			
Violence Against Women Formula Grant - 2019 Police	16.588	GT-UOVC-030	15,625
Violence Against Women Formula Grant - 2019 Prosecutor	16.588	GT-UOVC-031	41,214
Violence Against Women Formula Grant - 2020 Police	16.588		25,872
Violence Against Women Formula Grant - 2020 Prosecutor	16.588	18W2015	40,944
Victims of Crime Act Grant - Prosecutor	16.801	19VOCA043	57,419
Victims of Crime Act Grant - Police	16.801	19VOCA042	<u>123,950</u>
Total Pass Through from CCJJ			<u>305,024</u>
Pass Through from Northern Utah United Way			
Project Safe Neighborhoods	16.609		<u>57,567</u>
Total Department of Justice			<u>471,193</u>
U.S. Department of Transportation			
Direct Awards			
Airport Development Aid Program AIP	20.106	3-49-0024-45	3,081
Airport Development Aid Program AIP	20.106	3-49-0024-47	68,869
Airport Development Aid Program AIP	20.106	3-49-0024-48	702,303
Airport Development Aid Program AIP	20.106	3-49-0024-49	56,371
Airport Development Aid Program AIP - South Apron Run - Up	20.106		308,774
COVID-19: Cares Act Airport Improvement Program	20.106		<u>304,619</u>
Total U.S. Department of Transportation			<u>1,444,017</u>

(Continued)

OGDEN CITY CORPORATION
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2020

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA No.	Pass Through Grant No.	Disbursements/ Expenditures
U.S. Department of Treasury			
Direct Awards			
COVID-19: Coronavirus Relif Fund	21.019		<u>180,737</u>
Total U.S. Department of Treasury			<u>180,737</u>
Executive Office of The President			
Direct Awards			
2018 HIDTA	95.001		30,789
2019 HIDTA	95.001		51,570
2020 HIDTA	95.001		<u>42,388</u>
Total Executive Office of The President			<u>124,747</u>
U.S. Department of Homeland Security			
Direct Awards			
COVID-19 :Assistance To Firefighters Grants	97.044		<u>14,343</u>
Pass Through from The State of Utah			
Emergency Management Performance Grants (EMPG) - 2019	97.042		12,500
Emergency Management Performance Grants (EMPG) - 2020	97.042		12,500
Homeland Security LETPA Reimbursement	97.067		41,523
FEMA Hazard Mitigation Grant			<u>7,734</u>
Total Pass Through from The State of Utah			<u>74,257</u>
Total Department of Homeland Security			<u>88,600</u>
Total Federal Awards			<u><u>\$ 5,524,590</u></u>

OGDEN CITY CORPORATION
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2020

1. **PURPOSE OF THIS SCHEDULE**

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) is a supplementary schedule to Ogden City Corporation's (the City) basic financial statements and is presented for additional analysis. The Schedule is required by the audit requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

2. **SIGNIFICANT ACCOUNTING POLICIES**

Basis of Presentation

The accompanying schedule includes the federal grant activity of the City. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance.

Federal Financial Assistance Pursuant to the Single Audit Act of 1984; the Single Audit Act Amendments of 20015, and the Uniform Guidance, federal financial assistance is defined as assistance provided by a federal agency, either directly or indirectly, in the form of grants, contracts, cooperative agreements, loans, loan guarantees, property, interest subsidies, insurance, endowments, or direct appropriations. Federal financial assistance does not include direct federal cash assistance to individuals.

Catalog of Federal Domestic Assistance (CFDA) - The Uniform Guidance requires the Schedule to show the total expenditures for each of the City's federal financial assistance programs as identified in the CFDA. The CFDA is a government-wide summary of individual federal programs. Each program included in the CFDA is assigned a five-digit program identification number which is reflected in the Schedule. Federal financial assistance programs and contracts which have not been assigned a CFDA number have been identified as Unknown in the CFDA Column of the schedule.

Type A and Type B Programs--The Single Audit Act of 1984 (as amended in 2004) and the Uniform Guidance establish the levels to be used in defining Type A and Type B federal programs. Type A programs for The City are those programs that exceeded \$750,000 in the federal awards expended for the fiscal year ended June 30, 2020. All other programs are classified as Type B by the City.

Reporting Entity

The City's reporting entity is fully described in *Footnote 1* of the City's basic financial statements. The Schedule includes all federal financial assistance programs administered by the City for the year ended June 30, 2020.

OGDEN CITY CORPORATION
Notes to Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2020

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Basis of Accounting

Federal financial assistance programs included in the Schedule are reported in the City's basic financial statements as intergovernmental revenue in the General Fund and Special Revenue Funds. The Schedule is presented using the same basis of accounting used for each fund as described in *Footnote 1* of the City's basic financial statements.

4. INDIRECT COST RATE

The City has not elected to use the 10% de minimis cost rate.

OGDEN CITY CORPORATION
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2020

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the basic financial statements of The City.
2. No significant deficiencies or material weaknesses relating to the audit of the financial statements are reported in the *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*.
3. No instances of noncompliance with federal award programs material to the financial statements of the City were disclosed during the audit.
4. The auditor's report on compliance for the major federal award programs for the City expresses an unmodified opinion.
5. There are no audit findings required to be reported under The Uniform Guidance or *Government Auditing Standards*.
6. The programs tested as major programs were:

U.S. Department of Housing and Urban Development
CFDA # 14.218 CDBG-ENTITLEMENT GRANTS CLUSTER
CFDA # 14.239 HOME INVESTMENT PARTNERSHIP PROGRAM
U.S. Department of Treasury
CFDA # 21.019 COVID-19: CORONAVIRUS RELIEF FUND
7. The threshold for distinguishing Type A and B programs was \$750,000.
8. The City was determined not to be a low-risk auditee.

OGDEN CITY CORPORATION
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020

B. FINDINGS AND QUESTIONED COSTS FEDERAL AWARD PROGRAMS

2020-01: HUD (1) Eligibility of Expenses and (2) Program Income (From a HUD Letter dated August 25, 2020)

CFDA # 14.218, CDBG-Entitlement Grant Programs

Context/Sampling: The U.S. Department of Housing and Urban Development (HUD), Region VIII, Office of Community Planning and Development (CPD) initiated an activity desk monitoring based a review of the City's 2018 Consolidated Annual Performance and Evaluation Report (CAPER). HBME, LLC Auditors concur with the findings.

Repeat Finding from Prior Year(s): No

Questioned Costs: \$350,433 from Finding #1; \$217,060 from Finding # 2

HUD Finding # 1

Criteria: 24 CFR 570.201(a)&(b); CPD Notice 07-08; CPD Notice 17-09

Condition: A review of the expenses paid for with CDBG funds for certain activity revealed ineligible expenses, including predevelopment, marketing, and holding expenses.

Cause: The City does not have complete policies and procedures in place that outline eligible expenses for the CDBG program.

Effect: Ineligible costs decrease the availability of funds for allowable activities

Recommendation: To address this deficiency, the City is requested to take the following actions:

- The City was required to submit a *Disposition of Funds* spreadsheet that outlines eligible and ineligible CDBG expenses that have already been incurred. Based on an analysis of this spreadsheet, it was deemed \$350,433 to be ineligible. Therefore, \$350,433 must be repaid to HUD.
- The City should submit a policy and procedure for ensuring expenses paid with CDBG funds are eligible.

OGDEN CITY CORPORATION
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020

B. FINDINGS AND QUESTIONED COSTS FEDERAL AWARD PROGRAMS (CONTINUED)

View of Responsible Officials: The Community Development Division has established the following internal policy regarding CDBG Eligible Uses of Funds:

The Project Coordinator assigned to the project will review Desk Guide Chapter 2 – Categories of Eligible Activities and CDBG regulations as needed and prepare a memorandum for the file which describes the scope of the project and identifies how the items carried out for the project will meet terms of eligibility. The Division Manager will review the memorandum prior to commitment of funds and sign the memorandum.

When projects involve housing, additional scrutiny is required to assure ineligible activities are not funded. The Project Coordinator will outline specific cost centers in the new housing construction project budget which are eligible for use of CDBG funds, paying particular attention to the CPD Notice 07-08 and the following section from the CFR:

24 CFR 570.207(b)(3): “New housing construction. For the purpose of this paragraph, activities in support of the development of low- or moderate-income housing including clearance, site assemblage, provision of site improvements and provision of public improvements and certain housing pre-construction costs set forth in §570.206(g), are not considered as activities to subsidize or assist new residential construction. CDBG funds may not be used for the construction of new permanent residential structures or for any program to subsidize or assist such new construction...”

Additional City administration is preparing an eligible use of fund policy to the grant administrative policy. The Comptroller’s office is also implementing new processes regarding the tracking and accounting of HUD grant expenses.

OGDEN CITY CORPORATION
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020

B. FINDINGS AND QUESTIONED COSTS FEDERAL AWARD PROGRAMS (CONTINUED)

HUD Finding # 2

Criteria: 24 CFR 570.500(a)

Condition: CDBG funds were used for the acquisition of land that the grantee used to build new construction homes. When those homes were sold, the City did not collect program income from the proceeds of the home sales.

Cause: The City did not consider the proceeds of the sale of the homes as program income since other sources of funding were used for the actual construction of the homes. In addition, the homes were usually sold at loss, so the grantee did not believe program income would need to be collected if revenue was not made on the sale.

Effect: By not capturing program income from CDBG-funded activities, the City is not leveraging program income revenue to serve additional residents with CDBG funding.

Recommendation: To address this deficiency, the City is requested to take the following actions:

- The City was required to submit a *Program Income Analysis* of the properties sold to date. Based on calculations, \$217,060 in program income should have been receipted to the CDBG program. Therefore, this amount must be receipted to the program income budget line in IDIS, from a nonfederal source.
- The City should submit a policy and procedure for calculating, tracking, and receipting program income for future homes sold under this CDBG activity.
- A general program income policy and procedure should be submitted that defines program income and its applicability to the City's CDBG and HOME programs.

View of Responsible Officials: The Community Development Division has developed and implemented an internal policy and procedure document for the calculation and receipting of HUD program income. The policy is an internal policy specific for Community Development. Ogden City administration will add the following to the existing grant administration policy, which will outline the following:

- Definition of program income
- How program income will be calculated (based on the percentage of projects costs covered by different funding sources)

The Comptroller's office is implementing new processes related to the calculation and receipting of program income related to the HUD program.

OGDEN CITY CORPORATION
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020

C. PRIOR YEAR FINDINGS AND QUESTIONED COSTS FEDERAL AWARD PROGRAMS

2019-002: U.S. Department of Transportation (From Predecessor Auditors)

CFDA #20.106, Grant Nos. 3-49-0024-45, 3-49-0024-46, 3-49-0024-47, 3-49-0024-48, 3-49-0024-49 Airport Improvement Program

Significant deficiency in internal control over compliance - reporting

Criteria: The Grant Agreement requires Ogden City Corporation to submit FAA form 5370-1, Construction Progress and Inspection Report at the end of each fiscal quarter and FAA form 5100-140, Performance Report annually for all non-construction project. These reports are due within 30 days of the reporting period.

Condition: During the audit, we noted that Ogden City Corporation had not filed any of the FAA Form 5370-1 quarterly reports or any of the FAA Form 5100-140 annual reports for the fiscal year ended June 30, 2019.

Cause: Management was unaware of the requirement to file the reports.

Effect: Required reports are not submitted that may affect the funding of the grant and future funding

Questioned Costs: None reported

Context/Sampling: A nonstatistical sample of 8 reports out of 24 reports were selected for report testing.

Repeat Finding from Prior Year(s): No

Recommendation: Controls and training should be implemented to ensure that all required reports under the Airport Improvement Program and Grant Agreements are submitted.

View of Responsible Officials: Management agrees with the finding.

Current Year Status: Condition is fully satisfied.

D. OTHER REPORTABLE CONDITIONS ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

No reportable conditions.

OGDEN CITY CORPORATION
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2020

E. PRIOR YEAR OTHER REPORTABLE CONDITIONS ON INTERNAL CONTROLS OVER FINANCIAL REPORTING

2019-001: Material Weakness in Year-end Financial Closing Process - Audit Adjustments (From Predecessor Auditors)

Criteria: Management is responsible for the fair presentation of the financial statements in accordance with generally accepted accounting principles (GAAP), including properly recording all period-end adjusting entries.

Condition: During the audit, we proposed, and management accepted, audit adjustments to correct overstatements of liabilities and understatements of beginning fund balance in the general fund, an overstatement of liabilities in the Redevelopment Agency (RDA), and an overstatement of accounts receivable in the medical services fund.

Cause: Errors in the timing of recognizing transactions caused the misstatement in the general fund, and a transaction coding error caused the misstatement in the RDA. The overstatement of accounts receivable in the medical services fund was due to a flaw in estimating the allowance for doubtful accounts and contractual adjustments. The allowance is a balance that requires management to make an estimate of the actual amounts to be received after year-end, which can be complex especially in the healthcare industry. The method for calculating the estimate in the medical services fund did not contemplate a retrospective review of the actual historical rate of cash received.

Effect: There exists a potential for misstatements in the financial statements to go undetected by management.

Recommendation: Internal controls should exist to ensure all material account balances are reconciled and reviewed for accuracy prior to the financial statement audit.

Views of Responsible Officials: Management agrees with the finding.

Current Year Status: Condition is fully satisfied.



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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***

Honorable Mayor and Members of City Council
Ogden City Corporation, Utah

We have audited, in accordance with 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 Ogden City Corporation, Utah (the City), as of and for the year ended June 30, 2020, 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 28, 2020.

Internal Control over Financial Reporting

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Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting 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 financial statements. 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 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 Responses as item 2020-1, 2020-2, and 2020-3.

Management's Response to Finding

The City's responses to the findings identified in our audit are described in the accompanying Schedule of Findings and Responses. 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 them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.

HBMC, LLC

December 28, 2020



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**CERTIFIED PUBLIC
ACCOUNTANTS**

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE AND
REPORT ON INTERNAL CONTROL OVER COMPLIANCE
AS REQUIRED BY THE STATE *COMPLIANCE AUDIT GUIDE***

Honorable Mayor and Members of the City Council
Ogden City Corporation, Utah

Report On Compliance

We have audited Ogden City Corporation's (the City) compliance with the applicable state compliance requirements described in the *State Compliance Audit Guide*, issued by the Office of the Utah State Auditor, for the year ended June 30, 2020.

State compliance requirements were tested for the year ended June 30, 2020 in the following areas:

- Budgetary Compliance
- Fund Balance
- Justice Court
- Restricted Taxes and Related Restricted Revenues
- Open and Public Meetings Act
- Fraud Risk Assessment
- Tax Levy Revenue Recognition
- Impact Fees

Management's Responsibility

Management is responsible for compliance with the state requirements referred to above.

Auditor's Responsibility

Our responsibility is to express an opinion on the City's compliance based on our audit of the state 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 *State Compliance Audit Guide*. Those standards and the *State Compliance Audit Guide* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the state compliance requirements referred to above that could have a direct and material effect on a state compliance requirement 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 state compliance requirement referred to above. However, our audit does not provide a legal determination of the City's compliance with those requirements.

Opinion on Compliance

In our opinion, Ogden City Corporation complied, in all material respects, with the state compliance requirements referred for the year ended June 30, 2020.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance or other matters, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying Schedule of Findings and Responses as items 2020-1, 2020-2, and 2020-3. Our opinion on compliance is not modified with respect to these matters.

The City's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Responses. 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.

Report On Internal Control over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the state compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the state compliance requirements referred to above to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance with those state compliance requirements and to test and report on internal control over compliance in accordance with the *State Compliance Audit Guide*, 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 state compliance requirement 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 state compliance requirement 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 state compliance requirement 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.

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 and compliance and the results of that testing based on the requirements of the *State Compliance Audit Guide*. Accordingly, this report is not suitable for any other purpose.

HBMC, LLC

December 28, 2020

OGDEN CITY CORPORATION
Schedule of Findings and Responses
For the Year Ended June 30, 2020

State Compliance Findings

2020-1 Deficit Fund Balance

Condition: We noted a deficit fund balance in the Debt Service Fund of \$1,615 as of June 30, 2020.

Criteria: *Utah Code 10-6-117(2)*, stipulates that deficit fund balances in any fund are not permitted.

Cause: As debt held in this fund was retired, the fund ended with a negative fund balance and needs a transfer to close out the fund.

Effect: The City is not in compliance with *Utah Code* regarding fund balance deficits and needs a corrective action plan to remedy the noted problems.

Recommendation: The City should take appropriate action to eliminate this deficit fund balances in accordance with State Code.

Management's Response: Management will ask the City Council to appropriate a transfer to the debt services fund, which is no longer an active fund to cover the deficit and close the fund.

2020-2 General Fund Balance

Condition: At June 30, 2020, the City's aggregate unassigned, assigned, and committed General Fund balance totaled 27.8%.

Criteria: State law, *Utah Code 10-6-116(2)*, stipulates that the maximum General Fund aggregate unassigned, assigned, and committed fund balance may not exceed 25% of the total revenues of the General Fund for the current fiscal year.

Cause: The City did not have enough expenditures over revenues or transfers for appropriated projects in the current year to effectively reduce its required fund balance maximum limit. The tax revenues were also greater than anticipated.

Effect: The City is not in compliance with Utah Code for General Fund balance limitations.

Recommendation: The City should monitor and amend the General Fund's budget for fiscal year 2021, as needed, to ensure compliance with State Code.

Management's Response: Management concurs and will properly amended the General Fund's budget for fiscal year 2021, as needed, to ensure compliance with State Code.

OGDEN CITY CORPORATION
Schedule of Findings and Responses (Continued)
For the Year Ended June 30, 2020

2020-3 Budgetary Compliance

Condition: For the year ended June 30, 2020, we noted in the Municipal Building Authority Fund and the Downtown Special Assessment Fund that actual expenditures exceeded final appropriated expenditures by \$20,083 and \$41,991, respectively.

Criteria: State law, Utah Code 10-6-123, stipulates that City officers and employees may not make or incur expenditures in excess of total appropriations for any department or fund.

Cause: The interest and fiscal charges and non-departmental expenses were higher than anticipated and the corresponding budgets were not amended prior to year-end.

Effect: The City is not in compliance with Utah Code regarding the incurrence of expenditures in excess of total appropriations which could result in improper purchases.

Recommendation: The City should monitor the status of expenditures compared to the budget throughout the year and amend the budget or limit spending, as necessary, to ensure compliance with State Code.

Management's Response: Management will monitor the status of expenditures throughout the year and will amend the budget as necessary to ensure compliance with State Code.