



Supplemental Report in Compliance with
Government Auditing Standards, Uniform
Guidance, State of Utah Legal Compliance
and Other Required Compliance Reports
June 30, 2019

Ogden City Corporation

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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 Mayor and Members of the City Council
Ogden City Corporation
Ogden, UT

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2019, and the related notes to the financial statements, which collectively comprise Ogden City Corporation's basic financial statements, and have issued our report thereon dated December 31, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Ogden City Corporation'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 Ogden City Corporation's internal control. Accordingly, we do not express an opinion on the effectiveness of Ogden City Corporation'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 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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2019-001, that we consider to be a material weakness.

Compliance and Other Matters

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

Ogden City Corporation's Response to Finding

Ogden City Corporation's response to the finding identified in our audit is 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 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.

The image shows a handwritten signature in cursive script that reads "Eide Sallie LLP".

Salt Lake City, Utah
December 31, 2019



Independent Auditor's Report on Compliance and Report on Internal Control over Compliance as Required by the *State Compliance Audit Guide*

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

Report on Compliance

We have audited Ogden City Corporation's compliance with the following applicable state requirements described in the *State Compliance Audit Guide*, issued by the Office of the State Auditor, for the year ended June 30, 2019.

- Budgetary Compliance
- Fund Balance
- Justice Courts
- Utah Retirement Systems
- Restricted Taxes and Related Revenues
- Open and Public Meetings Act
- Public Treasurer's Bond
- Enterprise Fund Transfers, Reimbursements, Loans, and Services

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 Ogden City Corporation'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 Ogden City Corporation'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 Ogden City Corporation'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 to above for the year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the *State Compliance Audit Guide* and which are described in the accompanying Schedule of Findings and Recommendations—State Compliance as item 2019-A. Our opinion on compliance is not modified with respect to this matter.

Ogden City Corporation's response to the noncompliance finding identified in our audit is described in the accompanying Schedule of Findings and Recommendations—State Compliance. 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.

Report on Internal Control over Compliance

Management of Ogden City Corporation 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 Ogden City Corporation'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 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 Ogden City Corporation'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 and therefore, material weaknesses or significant deficiencies may exist that were not 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, as described in the accompanying Schedule of Findings and Recommendations—State Compliance as item 2019-A, that we consider to be a significant deficiency.

Ogden City Corporation's response to the internal control over compliance findings identified in our audit is described in the accompanying Schedule of Findings and Recommendations—State Compliance. 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.

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.

The image shows a handwritten signature in cursive script that reads "Eide Sully LLP". The signature is written in black ink and is positioned in the upper left quadrant of the page.

Salt Lake City, Utah
December 31, 2019



Independent Auditor’s Report on Compliance for Each Major Federal Program; Report on Internal Control Over Compliance; and Report on the Schedule of Expenditures of Federal Awards Required by Uniform Guidance

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

Report on Compliance for Each Major Federal Program

We have audited Ogden City Corporation’s compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Ogden City Corporation’s major federal programs for the year ended June 30, 2019. Ogden City Corporation’s major federal program is 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 the compliance for each of Ogden City Corporation’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 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 Ogden City Corporation’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 Ogden City Corporation’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, 2019.

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 2019-002. 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.

Report on Internal Control over Compliance

Management of Ogden City Corporation is responsible for establishing and maintaining effective internal control over compliance with the compliance requirements referred to above. In planning and performing our audit of compliance, we considered Ogden City Corporation'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 Ogden City Corporation'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a 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 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 that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies 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 2019-002, that we consider to be a significant deficiency.

Ogden City Corporation's response to the internal control over compliance 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.

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, each major fund, and the aggregate remaining fund information of Ogden City Corporation as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Ogden City Corporation's basic financial statements. We issued our report thereon dated December 31, 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.



Salt Lake City, Utah
December 31, 2019

Ogden City Corporation
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed Through to Subrecipients
<u>U.S. Department of Homeland Security</u>				
Passed through from State of Utah				
Emergency Management Performance Grants	97.042	14	\$ 8,250	\$ -
Homeland Security Grant Program	97.067	DEM-2016-SHSP	4,001	-
FEMA Hazard Mitigation Grant	97.039	Not Available	<u>100,003</u>	-
Total Department of Homeland Security			<u>112,254</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
CDBG Entitlement Grants Cluster				
Community Development Block Grant	14.218	N/A	<u>2,324,678</u>	-
Total CDBG Entitlement Grants Cluster			<u>2,324,678</u>	-
HOME Investment Partnerships Program	14.239	N/A	<u>852,500</u>	-
Total Department of Housing and Urban Development			<u>3,177,178</u>	<u>-</u>
<u>U.S. Department of Transportation</u>				
Airport Improvement Program	20.106	N/A	13,377	-
Airport Improvement Program	20.106	N/A	5,124	-
Airport Improvement Program	20.106	N/A	401,174	-
Airport Improvement Program	20.106	N/A	4,167,491	-
Airport Improvement Program	20.106	N/A	<u>236,014</u>	-
Total Department of Transportation			<u>4,823,180</u>	<u>-</u>
<u>U.S. Department of Agriculture</u>				
Passed through from Utah Division of Forestry, Fire and State Lands				
Community Forestry Partnership Grant Community Development Project	10.664	Not Available	<u>1,115</u>	-
Total Department of Agriculture			<u>1,115</u>	<u>-</u>

See Notes to Schedule of Expenditures of Federal Awards

(Continued next page)

Ogden City Corporation
Schedule of Expenditures of Federal Awards, continued
Year Ended June 30, 2019

Federal Grantor/Pass-through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-through Entity Identifying Number	Expenditures	Amounts Passed Through to Subrecipients
<u>U.S. Department of Justice</u>				
Pass Through From Utah CCJJ				
Violence Against Women Formula Grant	16.588	GT-VAWA-27	18,711	-
Violence Against Women Formula Grant	16.588	GT-UOVC-30	29,035	-
Violence Against Women Formula Grant	16.588	17W1914	37,337	-
Total Violence Against Women Formula Grant			<u>85,083</u>	<u>-</u>
Victims of Crime Act Grant	16.801	16V17041	48,936	-
Victims of Crime Act Grant	16.801	16V18115	100,072	-
Total Victims of Crime Act Grant			<u>149,008</u>	<u>-</u>
Pass Through From Northern Utah United Way				
Project Safe Neighborhoods	16.609	Not Available	34,379	-
Bullet Proof Vest Partnership	16.607	N/A	13,242	-
Justice Assistance Grant	16.738	N/A	5,381	-
Justice Assistance Grant	16.738	N/A	5,900	-
Equitable Sharing Program	16.922	N/A	53,961	-
Total Department of Justice			<u>346,954</u>	<u>-</u>
<u>Executive Office of the President</u>				
High Intensity Drug Trafficking Areas Program	95.001	N/A	181,507	-
Total Executive Office of the President			<u>181,507</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 8,642,188</u>	<u>\$ -</u>

See Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal award activity of Ogden City Corporation (the Organization) under programs of the federal government for the year ended June 30, 2019. The information 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 schedule presents only a selected portion of the operations of Ogden City Corporation, it is not intended to and does not present the financial position, changes in net position or fund balance, or cash flows of Ogden City Corporation.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. When applicable, 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. No federal financial assistance has been provided to a subrecipient.

Note 3 - Indirect Cost Rate

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

Section I – Summary of Auditor’s Results

FINANCIAL STATEMENTS

Type of auditor's report issued	Unmodified
Internal control over financial reporting:	
Material weaknesses identified	Yes
Significant deficiencies identified not considered to be material weaknesses	None reported
Noncompliance material to financial statements noted?	No

FEDERAL AWARDS

Internal control over major programs:	
Material weaknesses identified	No
Significant deficiencies identified not considered to be material weaknesses	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance 2 CFR 200.516	Yes

Identification of major programs:

<u>Name of Federal Program</u>	<u>CFDA Number</u>
Airport Improvement Program	20.106
Dollar threshold used to distinguish between type A and type B programs:	\$750,000
Auditee qualified as low-risk auditee?	No

Section II – Financial Statement Findings

2019-001: Material Weakness in Year-end Financial Closing Process – Audit Adjustments

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.

Section III – Federal Award Findings and Questioned Costs

2019-002 **U.S. Department of Transportation**
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.

2019-A: Budgetary Compliance – Significant Deficiency in Internal Controls over State Compliance

Criteria: Utah Code adopted by the state legislature dictates that the city auditor in cities of the first and second class shall prepare and present to the governing body appropriate quarterly financial reports, prepared in the manner prescribed in the Uniform Accounting Manual for Utah Cities. (Utah Code Title 10, Chapter 6, Section 147).

Condition: For two of the interim quarters during the year ended June 30, 2019, we were unable to find evidence that the City's financial reports were provided to the governing body.

Cause: The cause appears to be an oversight. The two quarterly financial reports were not included in the information that is provided to the City's council for the council meetings or work sessions.

Effect: If the financial report is not provided to and/or requested by the City council, the council may not be monitoring financial results every quarter.

Recommendation: The City should implement additional internal controls to ensure quarterly financial reports are provided to the governing body as per Utah Code.

Views of Responsible Officials: Management agrees with the finding.