



Supplemental Report in Compliance with
Government Auditing Standards, Uniform
Guidance, State of Utah Legal Compliance
and Other Required Compliance Reports
June 30, 2018

Ogden City Corporation

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* 1

Independent Auditor’s Report on Compliance and Report on Compliance and Report on Internal Control over Compliance as Required by the *State Compliance Audit Guide* 3

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 6

 Schedule of Expenditures of Federal Awards 9

 Notes to Schedule of Expenditures of Federal Awards 12

 Schedule of Findings and Questioned Costs 13

 Schedule of Findings and Recommendations – State Compliance 18



**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 Ogden City Corporation, which comprise the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information as of June 30, 2018, and the related notes to the financial statements, which collectively comprise Ogden City Corporation’s basic financial statements, and have issued our report thereon January 8, 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph 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. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2018-A to be a material weakness.

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.

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.

A handwritten signature in cursive script that reads "Eide Sallie LLP".

Salt Lake City, Utah
January 8, 2019



Independent Auditor’s Report on Compliance and 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 Utah State Auditor, for the year ended June 30, 2018.

- Budgetary Compliance
- Fund Balance
- Justice Courts
- Utah Retirement Systems
- Restricted Taxes and Related Revenues
- Open and Public Meetings Act
- Public Treasurer’s Bond
- Cash Management

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, 2018.

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 items 2018-B and 2018-C. Our opinion on compliance is not modified with respect to these matters.

Ogden City Corporation’s response to the noncompliance findings identified in our audit are 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph 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. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses or significant deficiencies.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Recommendations–State Compliance as item 2018-B to be a material weakness.

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. We consider the deficiency in internal control over compliance described in the accompanying Schedule of Findings and Recommendations–State Compliance as item 2018-C 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.

Eide Sallee LLP

Salt Lake City, Utah
January 8, 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, 2018. Ogden City Corporation’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 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, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-004. Our opinion on each federal program is not modified with respect to these matters.

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 certain deficiencies in internal control over compliance, described in the accompanying schedule of findings and questioned costs as items 2018-001 through 2018-004, that we consider to be significant deficiencies.

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 Ogden City Corporation as of and for the year ended June 30, 2018, and have issued our report thereon dated January 8, 2019, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. 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 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 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 financial statements or to the 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 financial statements as a whole.

Eide Bailly LLP

Salt Lake City, Utah
January 8, 2019

Ogden City Corporation
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

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	P11	\$ 7,500	\$ -
Emergency Management Performance Grants	97.042	045	8,250	-
Emergency Management Performance Grants	97.042	14	8,250	-
Homeland Security Grant Program	97.067	DEM-2015-SHSP	2,544	-
Homeland Security Grant Program	97.067	DEM-2016-SHSP	75,660	-
Passed through from Davis County Sheriff:				
Homeland Security Grant Program	97.067	DEM-2017-SHSP	13,888	-
Total Department of Homeland Security			<u>116,092</u>	<u>-</u>
<u>U.S. Department of Housing and Urban Development</u>				
CDBG Entitlement Grants Cluster:				
Community Development Block Grant	14.218		2,057,589	-
Total CDBG Entitlement Grants Cluster:			<u>2,057,589</u>	<u>-</u>
HOME Investment Partnerships Program	14.239		1,459,215	-
HOME Discounts on Properties Purchased	14.311		50,000	-
Total HOME Investment Partnerships Program			<u>1,509,215</u>	<u>-</u>
Total Department of Housing and Urban Development			<u>3,566,804</u>	<u>-</u>
<u>U.S. Department of Transportation</u>				
Airport Development Aid Program	20.106		494,228	-
Airport Development Aid Program	20.106		32,427	-
Airport Development Aid Program	20.106		354,875	-
Passed through from Utah Department of Transportation:				
Enhance Mobility of Senior and Individuals with Disabilities	20.513	Not Available	103,680	-
Total Department of Transportation			<u>985,211</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, 2018

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>	<u>Amounts Passed Through to Subrecipients</u>
<u>National Endowment for the Arts</u>				
Promotion of the Arts Grants to Organizations and Individuals	45.024		\$ 23,691	\$ -
Total National Endowment for the Arts			<u>23,691</u>	<u>-</u>
<u>U.S. Department of Agriculture</u>				
Passed through from Utah State University:				
Urban and Community Forestry Challenge Cost Share	10.675	Not Available	8,000	-
Passed through from Utah Department of Natural Resources:				
Urban and Community Forestry Grant	10.675	Not Available	<u>175,087</u>	<u>-</u>
Total Department of Agriculture			<u>183,087</u>	<u>-</u>
<u>U.S. Department of Justice</u>				
Pass Through From Utah CCJJ:				
Violence Against Women Formula Grant	16.588	17VAWA12	15,444	-
Violence Against Women Formula Grant	16.588	16W1813	<u>18,650</u>	<u>-</u>
Total Violence Against Women Formula Grant			<u>34,094</u>	<u>-</u>
Victims of Crime Act Grant	16.801	15V17041	41,199	-
Juvenile Justice and Delinquency Prevention				
Allocation to States	16.540	2015-JF-FX-0043	4,500	-
Bullet Proof Vest Partnership	16.607	Not Available	7,300	-
Justice Assistance Grant	16.738	2014-DJ-BX-0662	4,489	-
Justice Assistance Grant	16.738	2015-DJ-BX-0812	10,505	-
Justice Assistance Grant	16.738	2016-DJ-BS-0812	40,353	40,000
Equitable Sharing Program	16.922	Not Available	<u>45,223</u>	<u>-</u>
Total Department of Justice			<u>187,663</u>	<u>40,000</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, 2018

<u>Federal Grantor/Pass Through Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Expenditures</u>	<u>Amounts Passed Through to Subrecipients</u>
<u>Executive Office of the President</u>				
High Intensity Drug Trafficking Areas Program	95.001		\$ 122,630	\$ -
Total Executive Office of the President			<u>122,630</u>	<u>-</u>
Total Federal Financial Assistance			<u>\$ 5,185,178</u>	<u>\$ 40,000</u>

See Notes to Schedule of Expenditures of Federal Awards

Note A - 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, 2018. 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 B - Summary of Significant Accounting Policies

Expenditures reported in the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, either the cost principles in Office of Management and Budget Circular A-122, Cost Principles for Non-Profit Organizations, or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note C - 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>
Community Development Block Grant	14.218
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

2018-A: 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 an adjustment of approximately \$651,000 to the beginning fund balance and to revenue for the capital improvements projects fund. Other minor audit adjustments, which made a lesser impact, were also proposed and corrected during the course of the audit.

Cause: A grant reimbursement request recognized in receivables as of June 30, 2017 was overstated due to an error in including the City's match of the grant expenditures. The closing adjustment was not reviewed in sufficient detail to have identified this type of error.

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

- 2018-001 **U.S. Department of Housing and Urban Development**
CFDA #14.218, Grant Nos. B-17-MC-49-0001 (2018), B-16-MC-49-0000 (2017), B-14-MC-49-0001 (2015), B-13-MC-49-0001 (2014)
Community Development Block Grant
- Significant deficiency in internal control over compliance - reporting**
- Criteria:* Internal controls should be in place so that all required supports are reviewed prior to being submitted to federal agencies. 24 CFR Section 135.90 requires that each recipient that administers community development assistance in excess of \$200,000 in a program year, must submit HUD 60002, a summary report of the economic opportunities for low- and very low-income persons.
- Condition:* During the audit, we noted that the HUD 60002 report was not reviewed and approved by anyone other than the report preparer prior to its submission.
- Cause:* There were no controls in place for the review and approval of the report prior to being submitted on the Section 3 Performance Evaluation and Registry System (SPEARS).
- Effect:* Without additional controls, there is a possibility that incorrect information could be submitted through SPEARS.
- Questioned Costs:* None reported
- Context/Sampling:* Sampling was not used as all Community Development Block Grant reports were tested.
- Repeat Finding from Prior Year(s):* No
- Recommendation:* Controls should be implemented to ensure that the information for the HUD 60002 report is reviewed prior to being submitted through SPEARS.
- View of Responsible Officials:* Management agrees with the finding.
- 2018-002 **U.S. Department of Housing and Urban Development**
CFDA #14.218, Grant Nos. B-17-MC-49-0001 (2018), B-16-MC-49-0000 (2017), B-14-MC-49-0001 (2015), B-13-MC-49-0001 (2014)
Community Development Block Grant
- Cash Management compliance and**
Significant deficiency in internal control over compliance

Criteria: 2 CFR section 215.22 requires that program income is disbursed before requesting additional Federal cash draws.

Condition: During the audit, Ogden City Corporation did not disburse available program income prior to requesting additional federal cash draws.

Cause: Management of Ogden City Corporation did not verify that program income was available for use prior to requesting additional federal cash draws, however, all program income was used by the end of the fiscal year ended June 30, 2018.

Effect: Federal cash draws are made when program income is available.

Questioned Costs: None reported

Context/Sampling: Sampling was not used as all receipts of program income and federal cash draws was tested.

Repeat Finding from Prior Year(s): No

Recommendation: Controls should be implemented to include a review process to ensure that all available program income is used prior to requesting additional federal cash draws.

View of Responsible Officials: Management agrees with the finding.

2018-003

**U.S. Department of Transportation
CFDA #20.106, Grant Nos. 3-49-0024-44, 3-49-0024-45, 3-49-0024-46
Airport Improvement Program**

Significant deficiency in internal control over compliance - reporting

Criteria: OMB No. 2120-0569 requires sponsors of commercial service airports submit FFA Form 5100-127, Operating and Financial Summary and FFA Form 5100-126, Financial Government Payment Report.

Condition: During the audit, we noted that Ogden City Corporation had not filed FAA Form 5100-127 or FAA Form 5100-126 for the fiscal year ended June 30, 2017. The report was not filed until December 3, 2018 after it was made aware to Management that the reports were required to be filed. Ogden City Corporation requested an extension to file the report for the fiscal year ended June 30, 2018 as information from the CAFR is required to complete the report.

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

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

Questioned Costs: None reported

Context/Sampling: A nonstatistical sample of 6 reports out of 19 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 are submitted.

View of Responsible Officials: Management agrees with the finding.

2018-004

**U.S. Department of Transportation
CFDA #20.106, Grant Nos. 3-49-0024-44, 3-49-0024-45, 3-49-0024-46
Airport Improvement Program**

**Equipment and Real Property Management compliance and
Significant deficiency in internal control over compliance**

Criteria: 2 CFR Section 215.34 requires a physical inventory of equipment be conducted and reconciled with the equipment records at least once every two years.

Condition: During the audit, we noted that Ogden City Airport has not performed a physical inventory of equipment acquired with federal awards within the last two years.

Cause: Controls are not in place to ensure that each department performed their physical inventory of equipment acquired with federal awards at least once every two years.

Effect: There is a higher risk for an undiscovered theft of assets as a physical inventory is not performed or reconciled to equipment records. Without a recent inventory, there is also the risk that compliance requirements in regards to the sale or disposal of assets acquired with federal awards might not be followed.

Questioned Costs: None reported

Context/Sampling: Sampling was not used or applicable as the physical inventory is required only once every two years.

Repeat Finding from Prior Year(s): No

Recommendation: Controls should be implemented to ensure that physical inventory of equipment acquired with federal awards is performed at least once every two years and is reconciled with equipment records.

View of Responsible Officials: Management agrees with the finding.

2018-B: General Fund Balance in Excess of 25% – Material Weakness in Internal Controls over State Compliance

Criteria: Utah Code adopted by the state legislature dictates that the accumulation of a fund balance in a city general fund may not exceed 25% of the total revenue of the city general fund for the current fiscal period. (Utah Code Title 10, Chapter 6, Section 116).

Condition: During the audit, we noted the City’s combined balance of unassigned, assigned, and committed general fund balance exceeded the 25% maximum – the City’s balance was 28% of general fund revenues.

Cause: Actual balances of both revenues and expenditures for the fiscal year ended June 30, 2018 were lower than budgeted, which simultaneously reduced the maximum allowable fund balance and increased the actual accumulated fund balance.

Effect: The City’s general fund balance as of June 30, 2018 is higher than the maximum allowed under the Utah Code.

Recommendation: The City should implement additional internal controls to periodically monitor compliance with the code sections regarding fund balance and ensure such monitoring results in any needed modifications to budgeted expenditures and/or transfers.

Views of Responsible Officials: Management agrees with the finding.

2018-C: Expenditures in Excess of Budget – Significant Deficiency in Internal Controls over State Compliance

Criteria: Utah Code adopted by the state legislature dictates that city officers may not make or incur expenditures or encumbrances in excess of total appropriations for any department in the budget as adopted or as subsequently amended (Utah Code Title 10, Chapter 6, Section 123).

Condition: During the audit, we noted recorded expenditures in excess of budget in the following funds/departments:

- Operating expenditures in the Refuse fund exceeded the amended budget by approximately \$528,000. While the majority of this budget overage was for the Refuse fund to rent vehicles from the City’s fleet, at least \$118,000 of the budget overage included charges incurred from external vendors.
- Operating expenditures in the Downtown Special Assessment fund exceeded the amended budget by approximately \$66,000.

Cause: The budget was not amended to reflect the actual amount that needed to be incurred to operate these funds.

Effect: Under the Utah Code chapter referred to above, any obligation contracted by any such officer may not be or become valid or enforceable against the city until the claim has been processed as provided by in that chapter. The City may not be materially in compliance with the Utah Code if budgets are not amended prior to exceeding the budget.

Recommendation: Internal controls should be strengthened to ensure that all department budgets are reviewed for accuracy and amended as needed.

Views of Responsible Officials: Management agrees with the finding.